Summer 2014

AEB BUSINESS QUARTERLY

Association of European Businesses Quarterly Magazine

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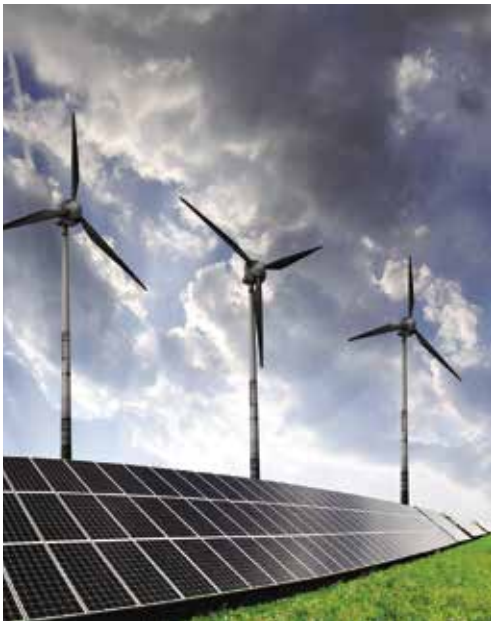
Energy



With AEB updates on:

Russian Energy Sector, Energy Management, Power Sector... and more

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LET'S GO.

Реклама

Dear Reader,

Each quarter we focus on a sector that corresponds to one of the AEB's committees. This issue is devoted to energy and Russia's role as an energy supplier. In the long term, the demand for energy will remain high. In this sense Russia is and will stay one of the key oil and gas suppliers in the world. However the trend is now for replacing traditional sources of energy by alternative ones and for reduce energy consumption. Several countries have invested heavily in incentive programmes that function effectively. And sooner or later Russia will have to address these challenges.

This issue of the Business Quarterly provides readers with the expert opinions of leaders, and in some cases pioneers, in the fields of energy and energy efficiency in Russia.

In addition, you will, as usual, get a chance to acquaint yourself with recent events organized by the Association and its committees, as well as taking a look at our growing list of new members, all of whom it gives me great pleasure to welcome to the AEB.

At this point, I also have to mention important changes within the AEB. On 17th April 2014, at the Annual General Meeting, the new Board was elected. Philippe Pegorier, Country President, Alstom (Russia, Ukraine, Belarus), was elected as Chairman of the AEB Board. From now on Olga Bantsekina, Chief Representative, Coleman Services UK Ltd, is the First Deputy Chair and Joerg Bongartz and Teemu Helppolainen are Deputy Chairmen.

Sincerely yours,
Frank Schauff
Chief Executive Officer
Association of European Businesses

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AEB BUSINESS QUARTERLY, Summer 2014

LNG, new dash, new future

How can the gas industry contribute to the energy transition?

Energy Management: hit or miss

AEB Updates

Denis Manturov, RF Minister of Industry and Trade

At the Annual General Meeting (17 April 2014) AEB Members elected a new Board

For the fourth time the AEB co-organized the Northern Dimension Forum (3 April 2014)

Publication name/Наименование издания: AEB Business Quarterly (Ежеквартальное деловое издание АССОЦИАЦИИ ЕВРОПЕЙСКОГО БИЗНЕСА)
Published by/Учредитель: Non-profit making partnership "Association of European Businesses"/ Некоммерческое партнерство "АССОЦИАЦИЯ ЕВРОПЕЙСКОГО БИЗНЕСА"
Chief Editor/Главный редактор: J. E. Bendel/Бендель Ю. Э.
Publication volume and number/Номер выпуска: 02, 2014

Released date/Дата выхода в свет: 09 июня 2014 г.
Circulation/Тираж: 16000 copies / 16000 экз.
Cost/Цена: Distributed free of charge / Бесплатно

Publisher's address/Адрес издателя, редакции:
16, bld. 3, Krasnoproletarskaya str., 127473, Moscow, Russia/ Россия, 127473, г. Москва, ул. Краснопролетарская, д. 16, стр. 3

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Introduction

IGOR IGNATIEV
Deputy Country Chair, Shell Exploration & Production Services (RF) B.V.;
Chairman of AEB Energy Committee

Dear Reader,
It is my pleasure to introduce a special issue of BQ magazine on Energy.

Coping with growing demand

Energy is the lifeblood of our civilization. It is vital for producing food, fuelling transport, and offering communication channels across the world. As the global population rises, more people are moving out of poverty and gaining access to energy. All sources will be needed to meet growing needs in a sustainable way. Everyone has a part to play. Advanced technologies and innovative approaches must be used to help deliver cleaner energy and find ways to use energy more efficiently.

Globally, we can expect a doubling of energy consumption (from 2000 levels) by 2050. Energy demand will grow mainly for three reasons. Firstly, population growth. According to the United Nations (UN), there will be more than 9 billion people on this planet by 2050 — from around 7 billion today. Secondly, development. Over the coming decades, tens of millions of people will gain access to hospitals, to public transport and to reliable energy. Millions more will buy their first cars, televisions and refrigerators. Thirdly, urbanization. More and more people will be living in cities. According to the UN, the greatest growth in urban population will be in Asia, which will increase demand compared to a more rural existence.

All sources will need to be considered: fossil fuels, nuclear, renewables and biofuels. Of all these sources, we believe that natural gas is uniquely positioned to address the challenges faced by the world today and tomorrow as part of a secure, competitive, affordable and sustainable energy future. What are the benefits of gas? First, the world holds enough technically available resources for over 235 years of production at current rates, second, gas is a cleaner-burning energy source than other hydrocarbons, and third, gas is very competitive in terms of cost of generation and in terms of the speed of gas plant construction.

Russia's rising profile

Russia, alongside other key global energy superpowers, in bound to play a critical role is helping the world to successfully tackle this global energy challenge of finding ways to produce enough energy while keeping the environmental footprint at the level that will not jeopardize well-being of next generations.

Russia's potential in this respect is immense, and the opportunities the country is facing with its share of global hydrocarbon resources (13% of oil and 50% gas) are breathtaking. Russia is the largest gas supplier to Europe with a gas-pipeline supply of ~160 bcm in 2012, or ~30% of total demand.

We expect European gas demand will increase from 524 bcm in 2013 to 600 bcm in 2025 whilst Europe's domestic production is expected to decline, thereby providing an opportunity for a growing European LNG market. In addition to pipeline gas, Russia is well-positioned to supply the European LNG market.

We also think that Russia has an opportunity to become a major source of LNG supply in the Asia-Pacific market. Within the next decade more than half of the LNG demand growth is going to come from emerging Asia Pacific and Middle East markets.

The magazine that you hold in your hands now covers a wide range of issues related to the future of Russia's energy sector and the role the country's international partners can play in this future. In general, these issues fall into three categories: opportuni-

ties that Russia faces thanks to its unparalleled resource potential; what needs to be done to realize these opportunities in different spheres; and finally, what AEB members and Russia's other key international partners can do to help the country secure its prime position on the world's energy map of the future.

Making Russia's energy more efficient

Major flagship gas projects (such as Sakhalin-2 and South Stream) will help shape the new face of Russia's energy future – a future of new, reliable transportation routes and novel, high value-added hydrocarbon products. In the next few years, new LNG projects are going to be launched in a number of countries. The sooner Russia embarks on such projects the better as competition in most markets is fierce and it is important to take advantage of "windows of opportunity". For example, in the Asia-Pacific market such a window of opportunity is expected in 2015-2020. The best way to ensure Russia benefits from it is to move "full throttle ahead" building the existing LNG capacity that already gained high reputation on this market.

LNG opens new horizons – not only as a means of transporting Russian gas to new, previously unreachable markets but also as a way to monetize Russia's gas resources in the form of fuel for ships, trains and heavy trucks. Today, the Russian government and companies show a clear interest in opportunities associated with using natural gas and LNG as a motor fuel, both at the federal and regional levels.

Successful development of technology-intensive gas and LNG projects requires the application of the best know-how available in the industry – and there are some obvious achievements on this front. For example, Russian factories have learned to make large-diameter pipes and now can fully satisfy domestic demand. However, despite Russia's drive to expand local content in oil and gas projects, there is still enough room for the best international technology suppliers. In particular, offshore oil and gas projects offer a wide range of opportunities as Russia still has to place contracts for platforms' hi-tech topsides and subsea equipment with foreign suppliers. The list of options available to international contractors remains large enough to consider involvement in Russia.

At the other end of the energy spectrum, Russia's electricity market is one of the largest in the world, with installed generation capacity of about 226.5 TW (2013), while the total length of transmission and distribution lines exceeds 2.5 million kilometres. However, the efficiency of Russia's energy sector clearly needs further improvement. Minimization of energy costs while ensuring the achievement of common industrial goals is a very difficult task. Certain progress has been achieved in energy intensity in the industrial sector recently. However this should not detract from the fact that there is even greater potential. Cooperation with global and European leaders in this market will go a long way towards boosting energy efficiency and energy saving in Russia.

Enabling growth

The Russian government is mindful of the need to further increase the attractiveness of its energy sector for direct, long-term investors, both Russian and international, for example recent tax incentives allowing the unlocking of unconventional hydrocarbons as well as the Arctic offshore frontiers. The government's commitment to consistent liberalization of electricity markets was one of the attractions for investors in the late 2000s. Serious progress has been made in the power and capacity markets in the past 5 years, attracting significant investment.

However, a lot still remains to be done to make Russia one of the most competitive destinations for investors. For example, in the electricity market a new capacity mechanism, or a tax incentive scheme, should be introduced to allow generators to place bids at a level that could guarantee full cost recovery for the promotion of modernization investments to extend plants' working lives, improve capacity reliability, and increase the efficiency of power units.

Likewise, in the oil and gas sector a shift to profit-based regimes will be welcomed by all key players. The sooner it is implemented the better for the industry as whole. Another example is the need for tangible incentives for companies that actively introduce innovational processes and products.

And finally...

AEB members represent leading European investors with long histories of partnership with Russia. This journey was not without bumps and rough spots, but we always knew that together we could achieve more generating benefit for our shareholders and success stories for our companies. Some of these stories are collected for you in this magazine.

I hope you enjoy reading it!

Olivier Lazare: "I see great potential in Russia's energy sector"

OLIVIER LAZARE
Country Chair, Shell Exploration & Production Services (RF) B.V.

I started working in oil and gas 25 years ago. At that time many people believed production of hydrocarbons was a dying sector of the economy as resources were running out. Nothing of the kind has happened since and will not happen at least in the next 25 years.

What kind of change have we witnessed over these years? Living conditions have improved against what they were several years, to say nothing of several decades, ago. Higher living standards and population growth exert tremendous pressure on natural resources. This is true not only for energy supplies but for fresh water resources and food.

As Shell is an energy company, we focus our attention first of all on finding solutions for the energy challenge. This has three dimensions. The first one relates to the capability of securing reliable oil and gas supplies for the world market. The second one is the cost of production and transportation, and the affordability of energy for the wider population. The third one is the impact made by the production and use of the various types of energy resources on the environment, on local communities, and on society as a whole.

We believe the 21st century will see a continuing demand for every type of energy. At the moment natural gas accounts for about half of Shell's production. There are vast and accessible (from the points of view of development and supply arrangements) resources of "blue fuel" in the world. We see a significant potential for Liquefied Natural Gas (LNG) export expansion within the framework of the Sakhalin-2 Project. Shell, in its turn, takes measures aimed at increasing the world demand for LNG which, in essence, is an element of the gas reserves monetization process. An example of the latter may be Shell's effort to develop LNG as a fuel for heavy-duty commercial vehicles. It is worth noting that any progress in this direction would be inconceivable without a close cooperation between producers of heavy-duty vehicles, companies that design modern engines, and transportation companies. Guarantees provided by the consumers are absolutely essential for a successful introduction of the new technologies in the market.

> There are opportunities to use LNG as a fuel in other sectors of the economy, like river and sea-going transport in particular. As for Russia, Shell believes it has a huge potential in this sector

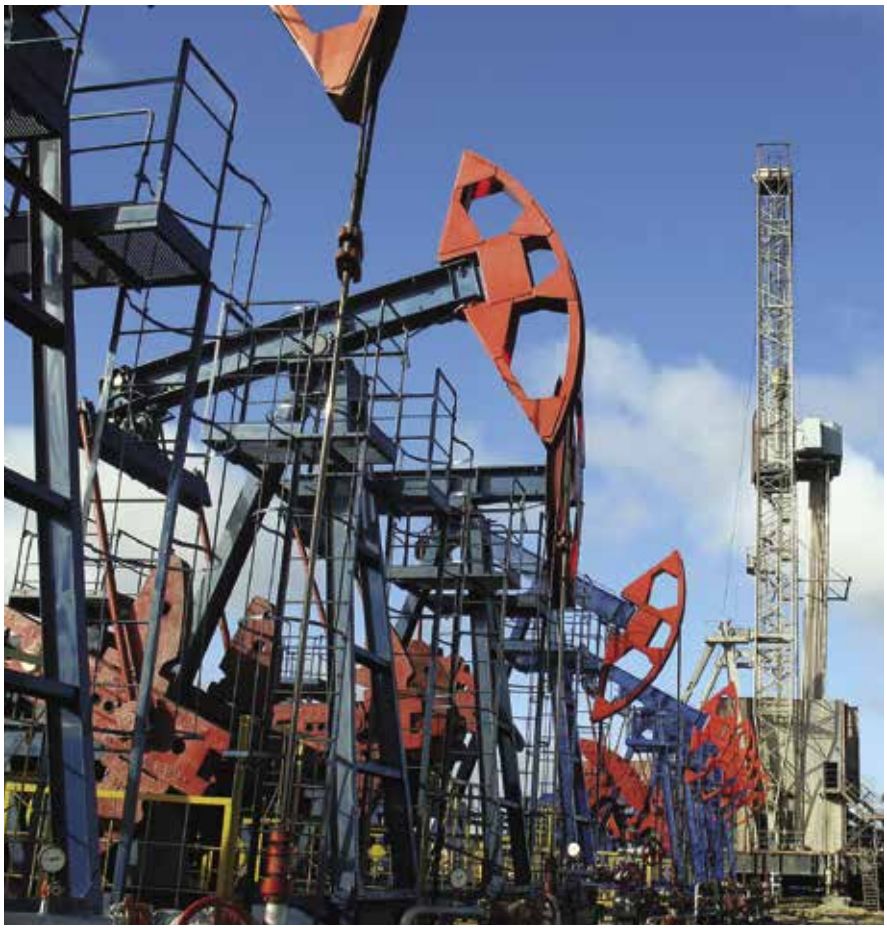
So far, LNG is not suited for cars that are not used continuously as it can be stored without losses only for three months. At the same time, LNG is ideally suited for heavy-duty vehicles

that are permanently in operation. LNG is a good alternative to diesel, not least as it helps protect the environment.

There are opportunities to use LNG as a fuel in other sectors of the economy, like river and sea-going transport in particular. As for Russia, Shell believes it has a huge potential in this sector. We notice an ever-increasing interest to implementing new projects for using gas as a motor fuel on the part of companies and the Russian authorities, both at the federal and regional levels.

In the next few years, new LNG projects are going to be launched in a number of countries. The sooner Russia embarks on such projects the better. However, it should not be forgotten that most of new projects starting from scratch before 2020 will have to find a way to address a range of technological challenges. In the case of the Sakhalin-2 Project, successfully implemented in the Far East by a consortium of Gazprom, Shell, Mitsui and Mitsubishi there is a chance of increasing supplies through expansion of its production capacities to fill an emerging niche in the Asia-Pacific market. Consumers that have been receiving gas from the Sakhalin-2 Project for a number of years will welcome a decision to build up its production capabilities. However, we should be aware that the LNG market is risk-prone. Projects to be launched in the next few years in Australia, USA, Mozambique, and a number of other countries will bring competition to the market.

Enhanced oil recovery is another promising trend. At the moment the average oil recovery factor in the Russian Federation is about 20%, while in many other parts of the world it has already reached 35%. That is why increasing the oil recovery factor should be a priority task for the oil industry.



The Russian leadership and legislators pay special attention to the challenges facing the oil and gas industry and have designed a range of tax incentives for developing hard-to-recover reserves. It is most important that the Russian authorities take action before the irreversible production decline started. I have seen many similar situations in other countries where government would not move till the level of production dropped to the point of no return and it was too late to do anything about it. Today we see the Russian authorities waking up to the problem and taking timely measures to find a solution.

(The article is based on material published in Oil and Capital magazine in December 2013.)

On 18 April, the President of Russia, Vladimir Putin, met the CEO of Shell, Ben van Beurden. Mr van Beurden briefed the President on Shell's current projects in Russia. It was a special occasion: the 20th anniversary of Sakhalin Energy, an operator of Sakhalin-2. "Whether working together with our European partners or carrying out particular projects independently, we will of course provide the needed administrative backup and support. I hope that our cooperation will continue just as successfully as it has over these last years," President Putin said.

A Second Life for Gas

WIM GROENENDIJK
Vice-President, International Affairs and Regulation – Head of Representation in Russia, Gasunie

OLGA RUMYANTSEVA
Executive Director of the Representation in Russia, Gasunie

PIETER VAN AARTSEN
Manager, Regulatory Affairs, EU, Gasunie

Introduction

While a "golden age of gas" is taking shape in other parts of the world, the European gas industry is facing difficult times. With the abundant availability of cheap coal imported from many parts of the world, and the absence of a well-functioning emissions trading system, coal is more competitive in power generation than natural gas. The utilisation of gas-fired power plants is being further reduced as a result of increasing renewable energy production from solar and wind. The prospects for natural gas outside power generation are not looking much better. In a number of places, it is losing ground in residential applications, where "going all-electric" seems to be the order of the day. And industries using natural gas as feedstock have difficulties competing against industries in lower-priced regions, particularly the US. To summarize: all seems to go in a negative direction for the gas industry in Europe. So what is the future for gas in Europe? Is there a second life for gas? At Gasunie we are convinced that gas has a great potential for the future. It will require an open mind and the willingness and ability to look at gas, and the gas industry, from a different perspective.

Industry paradigm shift

As a result of the energy transition, new technologies and companies are challenging the existing order in the energy sector. It is for the gas industry to take up this challenge and to ask itself what its added value is in this changing world. In other words: how can the gas industry contribute to the energy transition? In our view the gas industry has plenty to offer. We would like to mention three key elements.

First, the gas industry can help to keep the energy transition affordable. The European Union has set itself ambitious climate targets. But obviously there are different ways to achieve these targets and some ways are more affordable than others.

Of course the cheapest energy is the energy we do not use, and by focussing on energy efficiency we could avoid the emission of CO2 at zero or perhaps even negative cost. But only up to a point. In looking for other ways to achieve the emission reduction targets, there is great potential in switching from coal to gas in power generation. Today, in certain subsidy schemes over 300 Euros are spent to avoid the emission of one tonne of CO2. In contrast, replacing coal by gas in power generation will cost around 50 Euros per tonne of CO2 mitigated—six times less to avoid that same amount

of emission! Some will counter that with the argument that at current prices coal is cheaper than gas. What they forget is that we should not look at the price of coal versus gas in isolation and conclude that gas is more expensive. You have to look at the entire energy system where gas compares more favourably with coal because of the lower emissions associated with using gas. It makes no sense to reduce carbon emissions by large-scale investment in renewables and at the same time burn coal to produce power. The same applies when looking at other fuels. We should not look at renewables or nuclear in isolation. We should look at the system as a whole and strike the right balance for achieving our targets and realising the energy transition in the most cost-effective way.

In conclusion, one of the ways in which gas can help is by keeping the transition to a more sustainable energy system affordable. By using more gas in the energy mix and shifting from coal to gas we can immediately reduce emissions at a much lower cost.

Second, true innovation. Over the last decade, and with the possible exception of the upstream sector, the gas industry has had a poor track record in innovation. How much money is the European gas industry currently spending on R&D? On real innovation? There is clearly room for improvement. We mention two opportunities.

- **Gas itself can become "greener"**. We have already started to add biogas sourced from organic products and waste to the mix. But we can do much more. Imagine that we convert electricity from renewable sources like wind and solar into gas. If we transport gas instead of power through the existing gas infrastructure, we will gain enormous efficiencies in long-distance transport and in storage, certainly compared to building more and more transmission lines and expensive electricity storage solutions. That is the powerful message of Power-to-Gas.
- **Gas can find new applications and markets.** We can make a tremendous contribution in reducing the environmental impact of the transport sector where traditional fuels such as diesel and heavy fuel oil have proven notoriously difficult to replace. Electricity is fine for a Tesla. But Liquid Natural Gas (LNG) can move ships, trains and heavy trucks, and Compressed Natural Gas (CNG) can move buses, taxis and cars.

Third, the gas industry should speak with one voice. Besides keeping the energy transition affordable and offering true innovation, it is important that the gas industry pulls together and speaks with one voice. For example, presently more than 20 different European associations lobby for their own interests in the natural gas value chain. With a single voice we can better clarify what contribution the gas sector can bring to the energy transition. We have one good example: GasNaturally, and we can build on that.

Finally, to allow gas to realise this potential it is necessary to have safe and secure gas supplies for the market. This will involve further development of the existing, and building new, gas infrastructure. A stable and predictable regulatory climate is key to facilitating infrastructure development.

We cannot do it on our own

Clearly, there is a lot that the gas industry can offer. But we cannot do it on our own. We need to do it together with all the other energy sectors, with the coal, nuclear and renewables industries, and also with NGOs and policy makers. And this is what it should be all about: that we, together, each of us, cooperate to realize the energy transition that meets the needs of society in the best possible way.

Energising Europe – the South Stream gas pipeline system

GEORG HIEMANN
Expert on Energy Policy, Wintershall, Russia

One of the principles of the European Union's Energy Strategy is the security of its energy supplies. The South Stream natural gas pipeline – one of the world's largest energy infrastructure projects – is intended to strengthen and ensure a secure, reliable and sustainable supply of energy to Europe. By creating a new supply route and by increasing transport capacities, it will connect the vast natural gas resources of Western Siberia with central Europe.

The project

The South Stream pipeline system consists of one offshore and several onshore sections. Gas travelling through South Stream will begin its journey in Russia. Firstly, adaptations to the Russian pipeline system are necessary in order to connect it to the planned South Stream. Therefore, the Southern Corridor pipeline system is to be further developed. On a total length of 2,446 kilometres, 10 compressor stations will be constructed with an overall capacity of 1,516 MW. The project involves the Nizhny Novgorod, Penza, Saratov, Volgograd, Voronezh, Rostov Regions, the Republic of Mordovia, and the Krasnodar Territory where the pipeline will reach the Russian Black Sea coast, near Anapa.

At this point, the next section begins. It will run through the Black Sea. The pipeline will traverse Russian waters for 230 kilometres, then run for 470 kilometres through the Turkish Exclusive Economic Zone, and finally cover approximately 230 kilometres through Bulgarian waters, ending at the Bulgarian coast near Varna. This offshore pipeline will be developed by the Pan-European joint venture: South Stream Transport.

The company, South Stream Transport B.V., is headquartered in Amsterdam and will develop, build and operate the offshore project section of the pipeline through the Black Sea. Apart from Gazprom, which holds 50% of the shares, Italy's Eni (20%), EDF from France (15%) and Germany's Wintershall (15%), a subsidiary of chemical giant BASF, hold stakes in this company.

The offshore section will have a length of 931 kilometres and will consist of 4 pipelines with a maximal depth of 2,200 metres. The capacity will be up to 63 billion cubic meters per year. According to the International Energy Agency this will represent approximately 12% of the EU's total gas consumption in 2020, and will provide energy for about 38 million European households.

The next section consists of a 1,455 kilometre-long onshore section, starting from Varna and running past the northern Bulgarian city of Pleven. It will run from there into Serbia, where it will run past Zaječar, Beograd and Subotica before crossing the Hungarian border at Backi Breg. It will then transit Hungary and Slovenia to Tarvisio in northern Italy.

The 538 kilometre-long Bulgarian section is to be built by South Stream Bulgaria AD, which is owned in equal shares by Gazprom and Bulgarian Energy Holding. The 422 kilometre stretch through Serbia will be built by South Stream Serbia AG (Gazprom: 51%, JP Srbijagaz: 49%). The Hungarian section (299 kilometres) will be built by South Stream Hungary Zrt (Gazprom: 50%, VMT Zrt: 50%) and the pipeline on Slovenian soil (266 kilometres) by South Stream Slovenia d.o.o. which is owned equally by Gazprom and Plinovodi d.o.o. Gazprom will spend $23 billion to upgrade its domestic gas system for the South

Stream link. Additionally, the costs for the offshore and onshore section on European soil will be approximately $23 billion. However, costs will be finalised only after completion of the Consolidated Feasibility Study.

The final configuration is still under discussion. The option of South Stream ending in Baumgarten in Austria – location of the Central European Gas Hub – is once again on the table. Baumgarten was initially proposed as the endpoint of South Stream but was discarded when Austria changed its focus to the alternative Nabucco pipeline project. Furthermore, two branches to Croatia and to Bosnia and Herzegovina are possible options. Srbijagas plans to construct along the Sava river a 480-kilometre long branch pipeline with a capacity of 1.2 billion cubic metres to Banja Luka and Sarajevo. A connection to Montenegro is also possible.

Rationale and short history

The main rationales behind the construction of South Stream are twofold. With its expected life of 50 years, from a European perspective it is a further step towards enhancing the supply security of natural gas. During the next decades, European gas consumption will rise and domestic production will decline. Thus, an import gap will emerge and the region will need additional supplies.

The imports have to be delivered via reliable supply routes to secure gas consumption in Europe. This is the second part of the project's rationale: from Gazprom's perspective it is vital to command reliable and undisturbed transport infrastructure for its natural gas exports. Hence, after the construction of the Nord Stream pipeline across the Baltic Sea from Russian Vyborg to Greifswald in Germany, South Stream aims to deliver Russian gas directly to European customers, avoiding troublesome transit countries, especially Ukraine. The conflicts over natural gas transit over Ukrainian territory in the first decade of this century not only interrupted gas supplies to countries in Central and Western Europe, but also resulted in profit losses for Gazprom. The idea for South Stream was developed against the background of these disputes between Russia and Ukraine over gas deliveries and transportation.

Реклама

Office space to rent directly from property owner Bosch

Area for rent: from 300 sqm
Total rentable office area: about 9,000 sqm (open plan)
Modern and adaptable infrastructure
Individual shadowing
Sufficient parking spaces

Owner: Robert Bosch
Modern class A building with a total of 57,000 sqm floor space for offices and training/service centres of the Bosch Group Headquarters in Russia & CIS
Building will be put into operation: 2nd quarter of 2014

Location:
North-west of the city of Moscow, Khimki, Vashutinskoye shosse

6 km distance to the Ring Road
26 km distance to Kremlin
Easy access to the Sheremetyevo International Airport (6 km)
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The idea was first mooted in 2007, and was brought forward by Italian Eni and Gazprom. In 2010, France's EDF joined the project and a year later German Wintershall came on board. These four companies made the final investment decision to build the offshore section of the pipeline on 14 November 2012. Additionally, Gazprom signed intergovernmental agreements with the countries involved in the construction of the onshore section between 2008 and 2010.

Throughout this period, the competing Nabucco pipeline, planned mainly by Austria's OMV and Germany's RWE, was favoured by European politicians. This project was created to bring Azerbaijanian gas from the Shah Deniz II field to Central Europe across Georgia, Turkey and the Balkans. It was meant to diversify European gas supplies by bypassing Russia. However, the project was cancelled in 2013 when, instead, the construction of Trans-Anatolian Pipeline (TANAP) bringing Azeri gas to the Turkish-Greek border and Trans-Adriatic-Pipeline (TAPI) transporting the gas further across Albania and the Adriatic to Southern Italy was approved by the Shah Deniz II field's owners.

Current developments and challenges

Meanwhile work on South Stream has already started. In the autumn of 2013, the first pipes for the onshore sections in Russia, Bulgaria and Serbia were welded; the design of the sections in the Russian and Bulgarian sectors of the Black Sea was completed; and in December the Russkaya compressor station (CS) in the Krasnodar territory was installed. In January 2014 an option agreement for the storage and handling of pipe segments with the Port of Varna and the Port of Burgas in Bulgaria was signed and an information centre in Varna opened.

As far as the project itself is concerned, construction of the offshore section is scheduled to begin in the spring. The first line of the pipeline will be operational by the end of 2015 with a capacity of 15.75 billion cubic metres per year

Also, the South Stream Board of Directors approved the signing of pipe supply contracts for the first of four offshore lines, with decisions on further tenders to follow soon. However, problems about financing the Serbian section have emerged. They have yet to be solved.

There are other challenges ahead. In December 2013, the European Commission announced that the bilateral deals signed by Gazprom and the countries involved in the onshore section of South Stream were in breach of EU law (Third Energy Package) and had to be discarded. These countries include EU members Bulgaria, Hungary, Greece, Slovenia, Croatia and Austria, as well as Serbia, which is a member of the Energy Community, an EU-backed international agreement covering former communist countries of Eastern Europe. In particular, ownership rules ("unbundling") had to be observed, non-discriminatory access by third parties to the pipeline ensured and the tariff structures revisited. Subsequently, energy ministries of the concerned countries requested the European Commission to help broker a deal with Russia on their behalf. This led to a preliminary conclusion at a meeting between Gunther Oettinger, the European Commissioner for Energy, and the Russian Energy Minister, Aleksandr Novak, in Moscow on 17 January 2014. The two agreed to create a commission to address technical and legal details of the gas pipeline. However, a final conclusion has yet to be reached.

Outlook

Further talks about the realisation of the project were held in March during the WTO conference. In June the EU-Russia summit's agenda will include discussions on the Third Energy Package and the exclusion of South Stream from it. Against the background of the ongoing political crisis in Ukraine, these negotiations are currently uncertain, however. As far as the project itself is concerned, construction of the offshore section was scheduled to begin in the spring. The first line of the pipeline will be operational by the end of 2015 with a capacity of 15.75 billion cubic metres per year. Full capacity of 63 billion cubic metres should be reached with the implementation of the third and fourth lines of the pipeline by the end of 2018.

E.ON Russia: a 10-year success story

According to analysts, today E.ON Russia JSC is among the most successful and ambitious participants of the country' electric power market. Maxim Shirokov, CEO, notes that the company intends to go the extra mile.

In the next year the company will celebrate its tenth anniversary. Please tell us about the history of its creation and development.

The company as it now exists was established in 2005 on the basis of 5 power plants: Surgutskaya GRES-2, Berezovskaya GRES, Shaturskaya GRES, Smolenskaya GRES and Yaivinskaya GRES. But at that time its total capacity was 8,630 MW. In 2007, the majority interest of the company was acquired by E.ON Group, an international energy group, operating in more than 30 countries. In July 2011, OGK-4 OAO was renamed into E.ON Russia JSC.

For over 40 years E.ON Group has been a reliable and stable Russian partner in the area of gas supply to Western Europe, we also cooperate in construction of Nord Stream gas pipeline and development of the South-Russian oil and gas field.

E.ON is currently the largest foreign investor in the Russian electric power industry: the Group's total amount of investments in Russia will exceed 6.1 bln Euro by 2015.

In the result of implementation of the investment program that provided for new capacities construction and the modernization program, the total installed capacity of E.ON Russia power plants increased by one third - up to 10.3 GW, the annual electric power generation - up to 62 bln kWh, which is 6% of the total electric power generation in Russia.

Investment program of E.ON Russia is one of the largest ones in the country's electric power industry. What are the priorities of the investment program?

The investment program of E.ON Russia JSC amounts to 109.4 bln roubles and provides for commissioning of 2,400 MW of new generating capacities; plus 100 MW - capacity increase as a result of modernization.

As I mentioned before a number of projects was implemented under the investment program. In particular, the standard solution for construction of single-shaft condenser power units on the basis of the combined cycle (400 MW CCGT) was implemented at three power plants of the company, Shaturskaya GRES, Yaivinskaya GRES and Surgutskaya GRES-2. Efficiency of combined-cycle power units is 30% higher than that of conventional steam-power units currently operating in the country.

The investment program of E.ON Russia also includes the project of construction of 800 MW coal steam-power unit at Berezovskaya GRES. This project was initiated in 2011 and commissioning is scheduled for early 2015.

The investment projects of E.ON Russia are being implemented under the capacity supply contracts concluded by the company. The terms of the investment program implementation allow it to fully and timely fulfill its obligations to the RF Government.

Surgutskaya GRES-2, one of the company branches, is located in the Khanty-Mansi Autonomous Area. What is the unique feature of the power plant?

Surgutskaya GRES-2 is the world's largest gas-fired power plant. In terms of electric power generation Surgutskaya GRES-2 is the largest power plant in Russia.

According to experts, it is one of the most efficient thermal power plants of the country. Its technical and economic indicators are highly competitive with the best foreign counterparts: specific fuel consumption is less than 306 grams per kWh - at steam-power units and 238 grams - at combined cycle units; electricity consumption for balance-of-plant needs is less than 2.5%; installed capacity utilization factor (ICUF) - 76%.

Annual electric power generation of GRES would be enough to completely cover the annual electric power needs in the European countries such as Hungary, Denmark, Serbia, Ireland and Belarus.

Since 2012, a unique computer simulator has been operated at the power plant; it is an unparalleled simulator in the power industry of Russia. It is designed for training the operating personnel of the plant to act both in standard situations (start-up, operation and shutdown of power units) and in the circumstances of various process violations elimination at the equipment. Simulator software and parameters representation interface to the operators' display are identical to the ones installed at operating 800 MW power units of Surgutskaya GRES-2, therefore training with the simulator allows to fully simulating power unit real-time control. In addition, the simulator has a unique option to model, test and adjust new algorithms for automated control systems before loading them to the software of operating power units to prevent errors in the automation operation.

What are the company's near-term plans for the future?

One of the key areas of new business development of E.ON Russia is decentralized generation, i.e. construction of highly efficient thermal power plants of low and medium capacity for industrial consumers. The main shareholder of the company is E.ON SE Group that has extensive experience in the area of concepts development, design, construction and operation of decentralized generation facilities in Western Europe, with participation of the subsidiary E.ON Connecting Energies. We also offer energy solutions for industrial and business parks in the territory of the Russian Federation. Early this year, E.ON Connecting Energies acquired 67% share in Noginskiy Teplovoy Tsentr that owns and operates two gas turbine CHP with total capacity of 30 MW in Noginsk Technopark. 26 major Russian and international companies such as Bayer, Leroy Merlin, MegaFon, Metro, Oriflame and others are among the customers of Noginskiy Teplovoy Tsentr.

The company's ultimate priority for 2014 is to complete construction of power unit No. 3 of Berezovskaya GRES. We will surely continue to ensure reliability of equipment operation and value creation of E.ON Russia JSC.

Реклама

Enel – Power Sector Development in Russia and the Regulatory Framework

ROBERTO D'AGOSTINO
Director for External Relations,
OJSC Enel OGK - 5

The Russian electricity market is one of the largest in the world. According to the Ministry of Energy and System Operator, installed generation capacity in 2013 was about 226.5 TW, which is 1.5% higher than in 2012. It covers the largest area of electricity supply. The total length of T&D lines exceeds 2.5 million kilometres; electricity consumption in 2013 was about 1009.7 TWh, which is 0.6% lower than in 2012.

One of the key factors that attracted foreign investors to Russia's power sector in the late 2000s was the government's commitment to consistent liberalization of energy markets. In this respect, significant progress has been made in the power and capacity markets over the past 5 years. Rapid liberalization was achieved in a very short space of time, attracting significant investment. Following these opportunities, several Russian and foreign investors are developing this sector of the economy.

However, the liberalization process was faster in terms of volumes than as far as prices are concerned. The market is still not totally free to set prices. Tariffs are capped at lower level than predicted and the regulatory framework, although quite advanced, still needs to be completed, primarily in the field of remuneration for investment in the modernization and rehabilitation of power plants. A new capacity mechanism, or a tax incentive scheme, should be introduced to allow generators to place bids at a level that could guarantee full cost recovery for the promotion of modernization investments to extend plants' working life, improve capacity reliability, and increase the efficiency of power units.

When designing the power market reform in late 2000s, its promoters placed great emphasis on attracting investments in DPM (capacity supply agreement) projects that would allow Russia to introduce 25 GW of new highly-efficient capacity. Inflexibility in the terms and conditions of the existing DPMs is one of key indicators of Russia's investment appeal for both foreign and domestic investors. If all the capacities in Russia with expired fleet life were to be gradually decommissioned, new capacity under the DPMs alone would be insufficient to cover the demand as early as 2018-2019. Therefore, the authorities and the market community should start planning remedies now in order to be able to prevent a capacity shortfall in 4-5 years.

This would involve resuscitating the much-needed investment inflow and delivering on the declarations of the Energy Strategy concerning the power sector modernization and the increase of energy efficiency to 2020. At the same time, the mounting pressure on end-user prices calls for a reduction in the cost of system maintenance. Incentives for modernization coupled with a proportionate scope for incentives for decommissioning inefficient must-run capacities, should not be imposed top-down.

Guaranteeing sustainable cash-flows through cost-reflective prices, while providing long-term, stable and fair regulation, and targeting market liberalization, would help encourage the investment that will enable Russia to make its energy system more modern, efficient, environmentally friendly, and ultimately more affordable for Russia's citizens and its industry.

In Russia, Enel's investments have been fully aligned with the country's overall drive towards boosting energy

efficiency and energy saving. Enel was the first international utility that successfully commissioned two state-of-the-art CCGTs – in 2011 in the regions of Sverdlovsk and Stavropol. They have a total installed capacity of 820 MW and involved an investment of around 1 billion Euros. The total fuel equivalent saved in 2011-2013 thanks to their high efficiency was 1.05 mtoe, while CO2 emissions have been reduced by 1.94 Mt and NOx emissions cut by 2.64 Kton, or generally by 7% as compared with the conventional cycle. These combined-cycle units have become crucial suppliers of power and heat for the regions: Nevinnomyssk CCGT is one of key sources that supplied power to the Sochi Olympics, while Sredneuralsk CCGT contributes to the reliability of energy supply to the city of Yekaterinburg and its suburbs. The energy-efficiency investments Enel is making in Russia are not confined to new-builds. At Reftinskaya GRES, the largest coal-fired power plant in Russia, Enel has launched an ambitious program of environmental retro-fitting, and life extension for its 3,800 MW installed capacity. Thanks to these large-scale investments, Enel can expect to increase the total installed capacity by 1.5% (60 MW) along with the overall energy production by 13%, and reduce the heat rate of Reftinskaya GRES by 2% on average, which will allow saving 285,000 tons of coal annually. Significant savings have been achieved by Enel thanks to a series of low-cost initiatives aimed at improving the energy efficiency by optimising the production processes at our power plants.

Moreover, in order to stay at the cutting edge of energy-efficient technology, Enel is currently developing projects aimed at increasing the efficiency of its Russian fleet through innovative solutions, as well as minimizing its carbon footprint.

As well as securing steady electricity supplies and contributing to strengthening the power sector, our key priorities for the Russian market include the fulfilment of our cultural and social responsibilities, specifically by working together with younger generations towards the development of future specialists in the power sector.

Реклама

Energy management in industry: make the most of your energy with a continuous energy-management life-cycle approach

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Energy saving and management initiatives have become more significant recently. Growth and fluctuations in energy prices, reinforcement of environmental regulations, limitations on energy supply in some regions, and corporate sustainable development programs are just a few of the prime factors behind this change. The industrial sector, especially in fields with high energy consumption, is facing major challenges in the area of strategic energy management.

There are many ways of improving energy efficiency, but to achieve the full potential of energy saving requires a systematic, integrated approach. Utilization of the open and convenient architecture of the energy management system, connecting engineering processes and energy consumption monitoring systems based on the experience of specialists in the field of energy management, helps industrial enterprises to optimise performance and cost, while ensuring the achievement of objectives in terms of production.

The importance of energy saving

The industrial sector plays a crucial role in solving climate change problems. About 40% of total global carbon dioxide (CO2) emissions are accounted for by this sector. It is expected that industrial energy consumption (electricity, coal, natural gas, renewable energy sources, fuel oil and other POLs) will grow from 174.5 quadrillion BTUs in 2005 to 261.7 quadrillion in 2035. Though in 2009 the energy consumption in the industrial sector fell below the level of consumption by all other sectors, end-users put together, due to the global financial crisis. The situation is expected to change by 2016, after which the gap will only widen.

Industries with high energy consumption (among which the largest are: mining, metallurgy and chemicals) consume about half of the total energy volume of industry. Energy costs in these industries constitute a significant part of operating expenses. For example, they are approximately 60% of the operating expenses in the chemical industry, 15% in the metallurgical industry and 20–40% in cement production. All of this makes industrial energy management vital.

In addition to these supply-demand and price factors, the need to comply with ever more strict regulation relating to environmental sustainability forces enterprises to implement energy management projects even faster. All of this can take the form of a global reduction in energy consumption or special measures to ensure compliance with energy efficiency standards.

In their effort to find new solutions for creating competitive advantage, for meeting customers' expectations, attracting the required manpower and increasing net profit, companies face new problems, especially the problem of strategic energy management. This is not new, but the sense of urgency and importance associated with it is. In such energy-demanding industries as mining and metallurgy rhetoric has

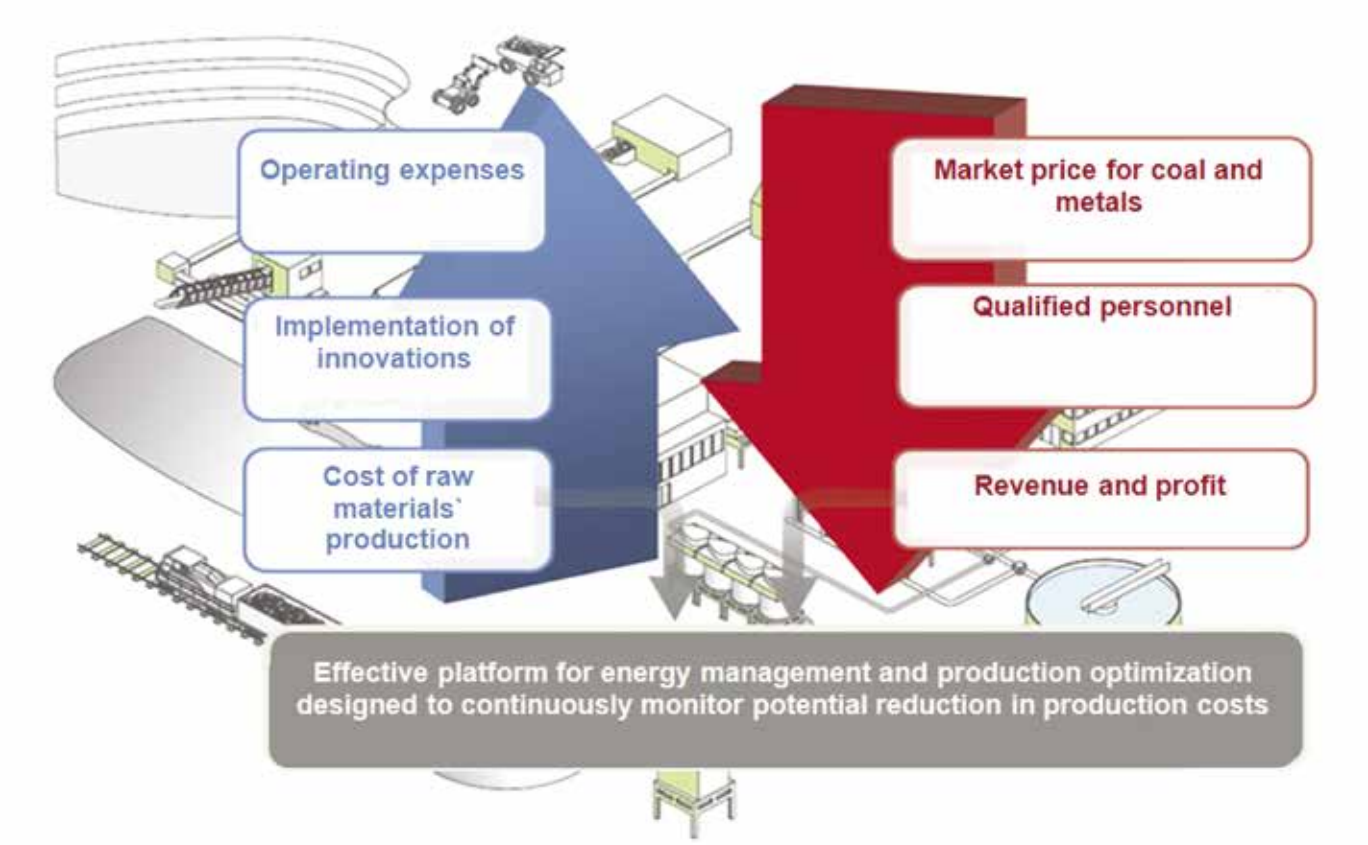
been replaced by the search for effective ways of improving energy management efficiency. This situation has several key aspects (Fig. 1).

Problems with energy management

An obvious problem for the industrial sector is the complexity of production processes, which makes it difficult to measure, check and track energy use with any degree of precision. However, beyond that, there are even more important and persistent barriers.

> There are many ways of improving energy efficiency, but to achieve the full potential of energy saving requires a systematic, integrated approach

Figure 1 ▶ Problems faced by segment



Unfortunately, for most industrial companies, energy has not always been among the key issues. Maybe this is due to the fact that energy prices were low in the past, or perhaps it is the result of conflicting priorities or a lack of attention to the issue on the part of management. In some cases, even with an adequate level of participation on the part of executive management, energy management goals are difficult to achieve, since companies can not get away from the isolated approach to production operations that prevents the use of holistic planning. Alternatively, this can be caused by regulatory uncertainty, especially in regard to CO2 quota prices.

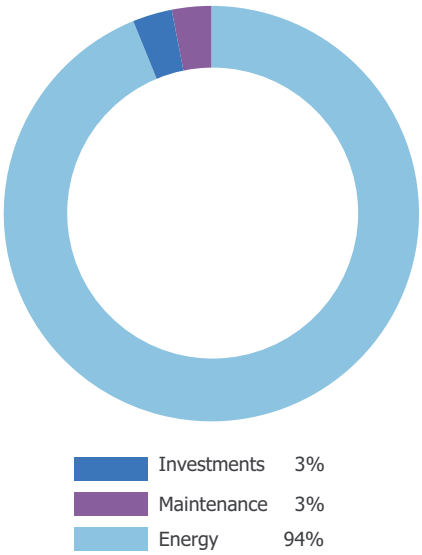
Whatever the reason, the low priority given to energy consumption management is obviously related to the fact that only a few companies have professionals responsible solely for energy management. The importance attributed to energy consumption differs depending on the region. Local conditions, lack of energy regulatory requirements make energy

consumption more important for some regions than others. In addition, the reasons which make the energy management issue more important vary depending on the industry sector. In some segments, energy costs are at the centre of attention as they help reduce operating costs (for example, in the mining industry and non-ferrous metallurgy).

In other industries, attention to energy consumption management is mainly caused by performance and assurance of compliance with applicable requirements (for example, in the petrochemical industry).

All the above-mentioned factors mean that production and related processes have evolved by nature and content over time, and now the management of energy used for these processes has to take over. The present task is complicated by the lack of qualified

Figure 2 ▶
Layout of the operating expences for running industrial pump or fan motor



personnel (internal and third-party) who can carry out effective monitoring, management and optimisation of energy consumption. Moreover, the small number of case studies that give accurate data on the cost of projects assuring energy efficiency and acquired savings weakens the incentive to undertake new initiatives.

Determining opportunities to improve energy efficiency

When determining the potential for energy efficiency and developing integrated energy efficiency programs, it is important to understand which consumers are the most important for a particular enterprise. For example, if we talk about non-ferrous metallurgy, then for an average enterprise electricity is the principal cost item associated with energy in value terms (55% of total enterprise expenditures for energy). Costs of fuel for open-cut transport and excavating machines are in second place, followed by costs associated with heat and water. Therefore, the

Figure 3 ▶ Energy sources consumed at the enterprises of non-ferrous metallurgy

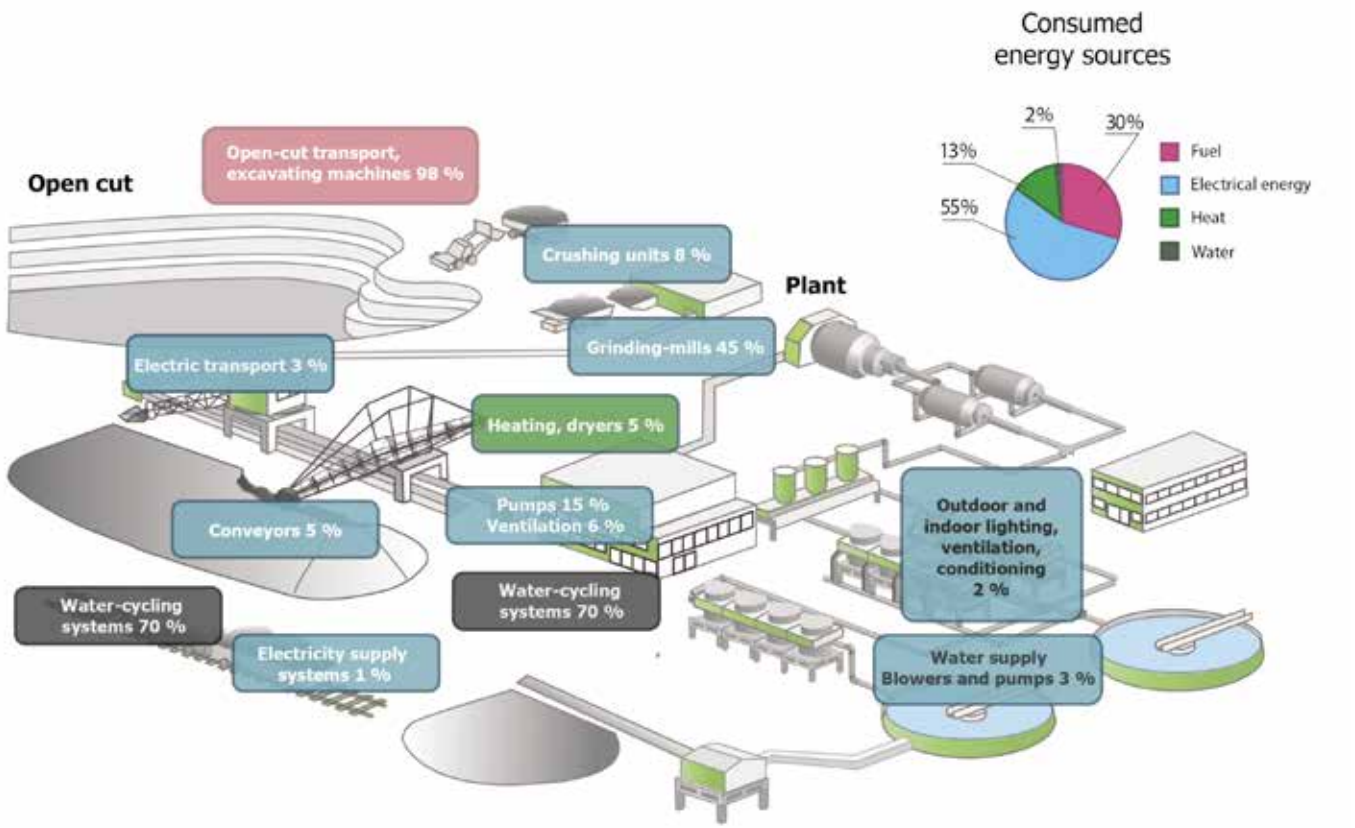
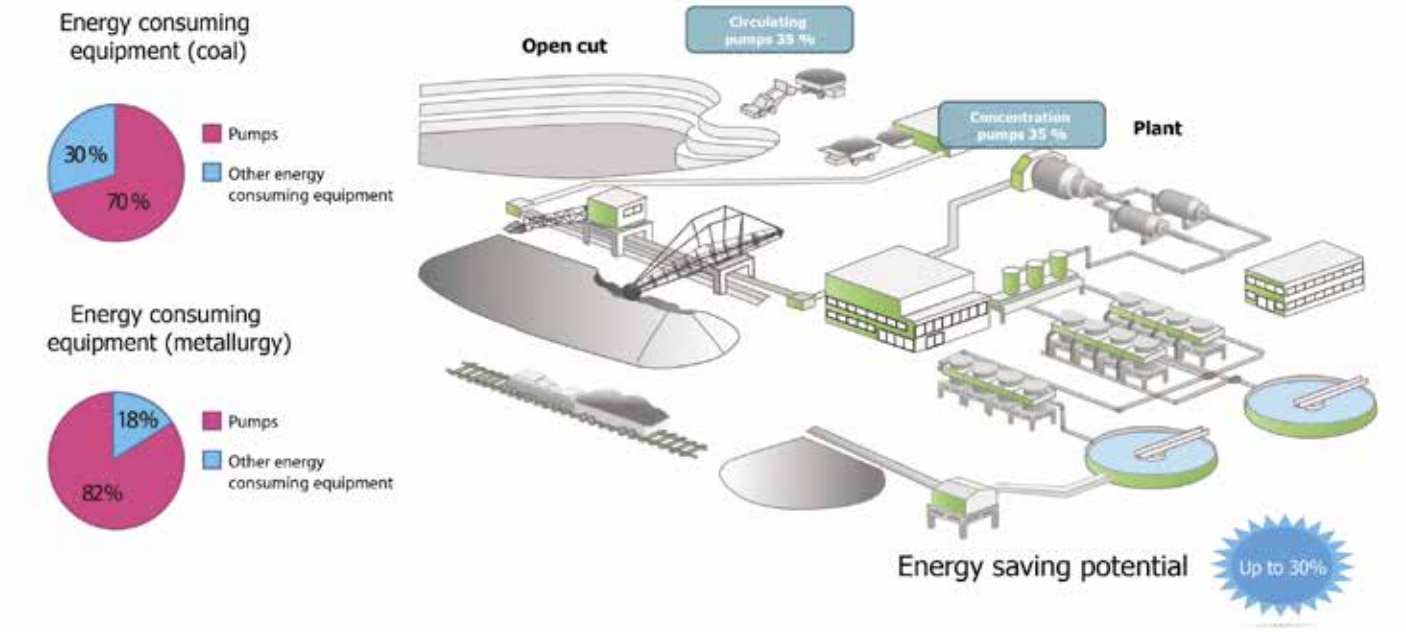


Figure 4 ▶ Pumping Equipment

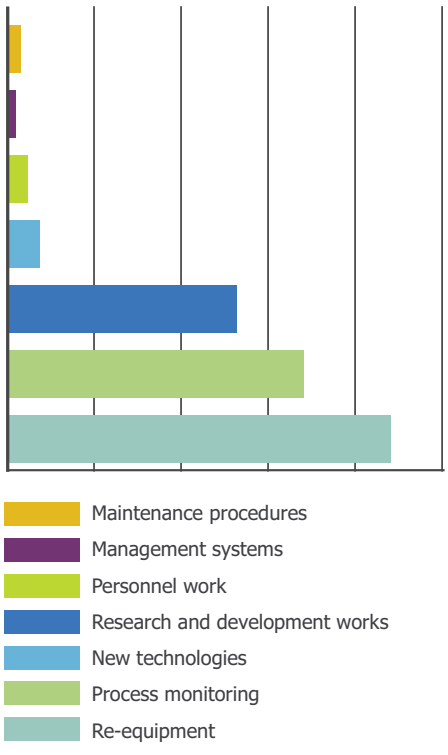


main energy efficiency potential lies in the reduction of electricity cost.

60% of the total energy volume consumed by enterprises is used by engines. For example, the share of electricity consumption by pumping equipment equals 18% and 70% of total electricity consumption in non-ferrous metallurgy and coal beneficiation, respectively. Since the major part of operating costs is accounted for by energy, the methods of energy efficiency when operating engines (smooth start and a variable frequency drive) can significantly reduce total energy consumption and, therefore, operating costs. (Figure 2–4) It is important to consider these factors when selecting equipment and evaluating the total cost of ownership throughout the life cycle, rather than making a choice based only on an analysis of capital investment.

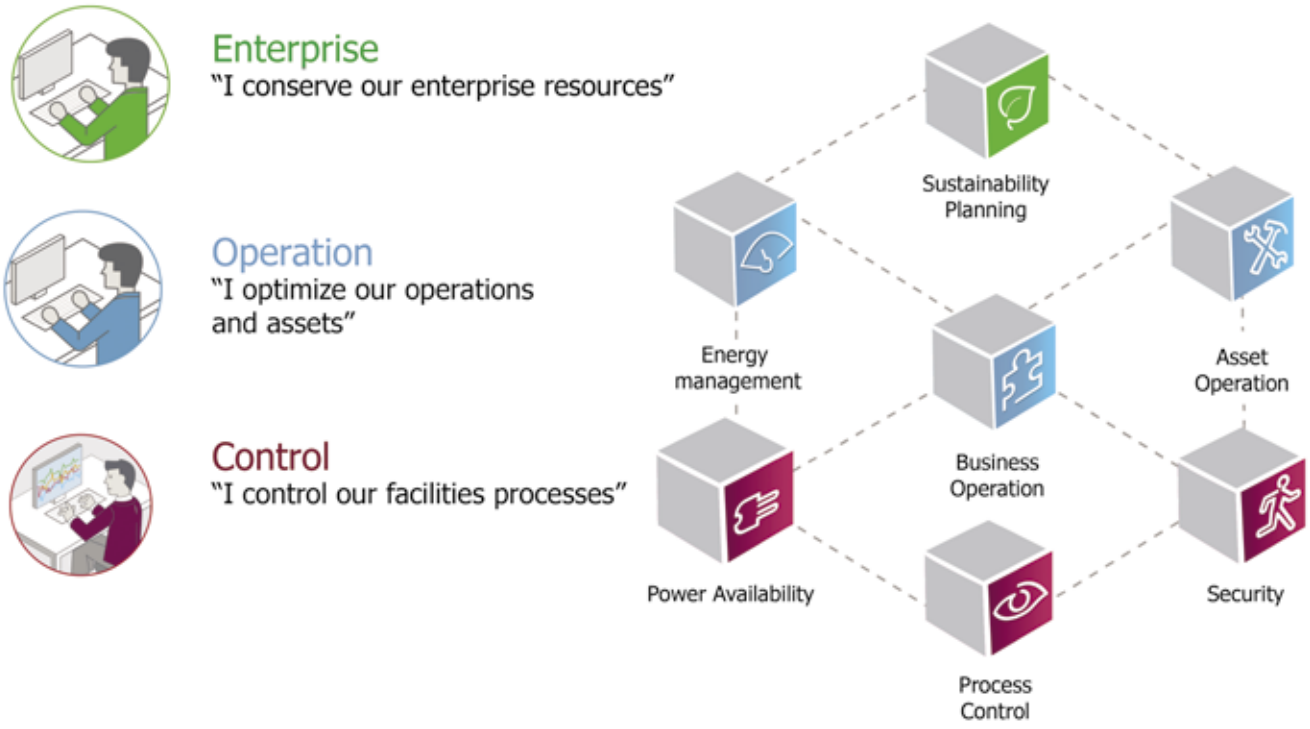
The human factor also plays a key role in the management of energy consumption. For example, operators who do not realize the impact of conveyor lines running at no-load on overall energy consumption incur a significant increase in energy consumption.

Figure 5 ▶ Determining opportunities for ensuring energy efficiency: an Australian program aiming to determine opportunities for energy efficiency



It is also useful to consider energy consumption in the context of time in order to reduce energy costs. Thus, energy demanding but non-significant processes can be executed outside peak load times, thus ensuring savings if there is an adequate tariff specified by the power supply organization. Nevertheless, efficient energy management in the industrial environment is achieved at most through "integrated systematic" approach, rather than approach "based on the components". Therefore, the monitoring of the optimization process (acting as integrated system on the site or several sites) is considered as the most significant opportunity to improve energy efficiency than the most other options. As shown in the diagram (Fig. 5), process monitoring gives the second

Figure 6 ▶ Levels presenting information on the company`s work 3 levels – 7 functions



largest savings among the opportunities identified as part of the Australian program aiming at determining opportunities for energy efficiency.

Focusing on the optimization of control systems for ensuring energy efficiency, companies can evaluate and reduce their expenditures on energy supplied for manufacturing production units, and not the total volume of consumed energy. For this purpose industrial companies need to have an appropriate set of tools in the form of interacting systems and expert support.

Solutions for managing company's energies

We propose a system that would allow industrial companies to conduct required automation and, at the same time, optimize the energy consumption due to production processes in order to achieve sustainable development goals. A set of tools and services allows industrial companies to use integrated architecture for controlling processes and energy consumption.

Focusing on the optimization of control systems for ensuring energy efficiency, companies can evaluate and reduce their expenditures on energy supplied for manufacturing production units

These possibilities are provided by proposing several levels (Fig. 6).

Integrated architecture of process and energy consumption control

For quick and inexpensive deployment, the energy management solution in some segments (F&B, cement production and water supply) is delivered with best-in-class templates and standard configurations. A complex configurable system of production optimization is developed for the unique conditions and processes.

These systems are scalable and can be easily integrated into existing automation architecture. Experience and support rendered by a group of professional consultants are no less important for solving each unique task

of energy management than the use of advanced tools.

By virtue of energy management solutions and the support provided by specialists our customers can reduce discrepancies in energy consumption, as well as minimize energy fluctuations and non-productive consumption.

Detailed visual information on how much energy is consumed (and how much energy is consumed non-productively), as well as the processes for which it was consumed, helps to identify opportunities to reduce dispersion in the level of energy consumption and non-productive energy consumption. It can also help determine what kind of equipment or processes bring results lower than expected, which operator actions or processes significantly affect the energy consumption and what maintenance works should be planned. Such factors as Overall Equipment Effectiveness (OEE) and energy consumption per production unit can be studied based on time-scale. This allows customers to see the impact of measures taken to improve energy consumption.

Complex approach to energy management is a key

Although the implementation of individual projects on energy efficiency brings a visible effect, solutions and consulting services are focused on the customers' opportunity to move further and realize the total potential of all benefits from increased energy efficiency (Fig. 7).

Energy and technological audits and the development of integrated energy efficiency programs are methods of analyzing the energy use based on which complete evaluation and analysis of the current energy consumption by an industrial user can be carried out, followed by determination of opportunities for situation improvement. The best approach to energy management for the given environment is selected.

Therefore, the foundation for effective root cause analysis and fine adjustment of the basic architecture are prepared. An energy-management information system for ensuring complete visual control over energy consumption in real-time mode is designed and a system for optimizing energy consumption at enterprise level is created. For us, energy management is a continuous process consisting of interrelated steps that can be the most effective in the field of energy efficiency.

Figure 7

Conclusion

Minimization of energy costs while ensuring the achievement of common industrial goals is a very difficult task. At the moment, actions taken by industrial sector in this regard have been mostly sector-specific and incomplete. "No change" scenarios are no longer working. Regardless of the progress that has been achieved in energy intensity in industrial sectors, the fact is that there is even greater potential as yet unrealised.

Industrial companies wishing to unlock this potential should apply an integrated systematic approach, use open interacting solutions for energy management and work with specialists who understand the technologies and procedures of efficient energy management.

Differences in structuring LNG projects in Russia and the USA

KYLE DAVIS
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Introduction

Those following the international business press will know that both Russia and the United States, amongst other countries in the world (such as Canada, Australia and Qatar), each have a number of proposed liquefied natural gas (LNG) projects in the works. However, even though LNG is by no means a phenomenon limited to the US or Russia, the Ukrainian crisis and media coverage regarding the possibility of Europe's diversification of gas supply towards LNG has put particular geopolitical focus on a perceived "LNG race" between the US and Russia.

At the moment, there are at least 13 LNG export facilities proposed in the United States and six (not including expansion trains) proposed in Russia.

Since there are certain differences between Russia and the United States in the basic legal framework for allowing LNG exports, as well as in the prevailing project concepts, investment cases, risk profiles and pricing, it seems timely to provide a brief note (necessarily leaving out some potentially important details) describing these differences.

Regulatory green light

In both Russia and the US an LNG project must have permission from the government to export LNG.

In December 2013, Russian laws were amended to empower the Ministry of Energy to issue licences to export LNG. These amendments were long-debated, in part because their effect is to allow LNG exports to be made by companies other than Gazprom, which enjoys a legal monopoly over exports of pipeline gas from Russia. Now, state-controlled companies operating on the Russian continental shelf, as well as non-state-controlled companies operating onshore whose production licences provide for the right to produce and export LNG, may receive LNG export licences from the Ministry of Energy. In both cases the LNG export licence is linked to the source of the gas.

In the United States, LNG export facilities require a permit from the Department of Energy. Such permits can be issued for exports to countries with which the US has a free-trade agreement, or can be broader, allowing exports to countries without a free-trade agreement with the US. Two key differences from the Russian approach are (1) there is no categories of company or gas deposit that give rise to a right to export LNG and (2) following on the first difference, the Department of Energy is understood to have broad administrative discretion as to whether or not to issue permits.

Although the US and Russian approaches are not dissimilar, and both countries are the world's largest natural gas powers (Russia being first in proven reserves and the United States being first in production volumes), the policy drivers behind each country's approach are different. Russia's strategy is focussed on maximising export revenues, securing reserves and controlling production. But with the exception of Gazprom's monopoly over pipeline gas exports, hydrocarbon producers are more or less freely permitted and encouraged to export oil (and now, LNG). The US, on the other hand, retains

policies focused on ensuring security of domestic supply. Although exploration, ownership of reserves and production of hydrocarbons in the US are liberalised and, to a much greater extent than in Russia and most other major hydrocarbon-producing countries, divided amongst a very large number of small, medium and large outfits, there is a blanket prohibition on exports of crude oil and gas from the US without government permission, which is costly and time-consuming to obtain. The process for issuing US export permits is discretionary and without set criteria to be met.

Project types

With some oversimplification, there are three possible types of LNG projects:

1) Integrated. The project company (PC) owns both the source of the gas (gas reserves and wells) and the LNG liquefaction facility, and sells LNG to its customers.

2) Merchant. The PC buys gas in the market, liquefies it in its LNG liquefaction plant, and sells LNG to its customers.

3) Tolling. The PC provides and sells LNG liquefaction services to its customers, who are responsible for sourcing and supplying their own gas to the LNG liquefaction facility.

Russian projects fall under the Integrated type. American projects, on the other hand, fall under the Tolling type. We will leave to one side the rarer Merchant type.

The Integrated project type, generally speaking, is more attractive to sponsors (equity investors) that are in the business of producing and selling hydrocarbons and that have a market value based on their ownership of hydrocarbon resources and exposure to related risks – in other words, publicly traded, vertically integrated oil and gas companies. This is because, through their share-holding in the PC, the sponsors can "book" (record on their balance sheets) the value of the reserves attached to the project. Although a sponsor can, and often does, contract to off-take some of the LNG production itself, all things being equal the sponsor would typically prefer for the PC to sell the LNG at the highest potential price.

The Tolling project type, on the other hand, is generally more attractive to sponsors that need to secure a stable source of LNG for consumption purposes (e.g. power generating companies) and the projects are typically set up as "capacity sharing" arrangements where the sponsors' share-holdings in the PC correspond to the proportion of the LNG plant's throughput capacity each sponsor is required/entitled to use.

Project perimeter and risk profile

As mentioned above, the Integrated and Tolling project models tend to appeal to different types of equity investors. However, every LNG project on the "drawing board" in both Russia and the US also requires debt financing from third-party banks (typically at the ratio of 70:30 debt to equity). They take a close look at what is actually included in the project perimeter (meaning, roughly, the assets and commercial risks allocated to the PC) and the other risks of various levels of likelihood that could come to bear during the period while the project debt is being repaid – typically over 15-20 years. Although the main instrument for managing risk in both an Integrated and a Tolling project is the same – long-term offtake contracts with a satisfactory price formula for the LNG (Integrated) or liquefaction services (Tolling) – the other factors can be quite different.

An Integrated project is generally bigger and more expensive to build than a Tolling project, even if the two are located in equivalent geographical areas. However, an Integrated project (particularly in Russia) would be more likely than a Tolling project to be located in a more extreme and undeveloped environment since the LNG plant needs to be built in close proximity to the gas field. An Integrated project is more expensive because it includes the cost of exploring, delineating, developing infrastructure and producing the gas that will be used to make the LNG. The sale price of the LNG needs to be sufficient to cover all those costs, plus operating costs, plus debt service, plus shareholder return.

On the upside, however, typically the production from the field attached to an Integrated LNG project will be contractually dedicated to the LNG plant. So if sufficient proved reserves are delineated, the cost of production can be estimated with a high degree of accuracy (and with constantly improving technology, the tendency is typically for the volume of recoverable reserves to go up over time, while the cost of production goes down). So long as the production costs over time are expected to be in line with gas production costs elsewhere in the world, the sponsors

and creditors of an Integrated project can be confident that their LNG will be competitive in the market.

A Tolling project doesn't rely on supplies from a particular gas deposit. Typically a Tolling LNG project is located in an area where there is plentiful existing gas distribution infrastructure and easy access to the open sea. For this reason, 7 of the 13 LNG plants for which US export permits are being sought are concentrated on the coast of the Gulf of Mexico in Texas and Louisiana. Since the "thing" being sold by the LNG plant is liquefaction services/capacity and not LNG itself, and the price of the tolling services doesn't need to cover the cost of gas exploration and production, the sponsors and lenders can have even more confidence than in an Integrated project that the cash stream from the long-term contracts will cover capital costs, operating costs, debt service and return on investment. However, as described in a bit more detail below, there is a somewhat greater risk, particularly in the United States, that the overall price to the customer of LNG produced from a Tolling project will become uncompetitive, creating pressure to breach the long-term off-take contracts and/or resulting in the LNG plant sitting idle once the long-term contracts have expired.

Pricing

It is common knowledge by now that the US has some of the lowest natural gas prices in the world. Those following the gas markets a bit closer also are well aware that Gazprom (and by extension Russia) have been adamant about retaining oil price-linked pricing for Russian gas exports. According to media reports and market rumours, in negotiating LNG off-take contracts for planned Russian LNG projects the Russian approach of oil-linked pricing has met resistance from Asian customers in particular, who have floated the idea of using pricing based on the US Henry Hub spot market.

Briefly, the rationale for oil-linked natural gas pricing: conventional (not shale) hydrocarbon reservoirs typically contain some mix of oil and gas, which means that natural gas is a normal by-product of oil production, regardless of whether the gas is marketable (this is why, in the absence of a local gas market, gas is often flared at the oil well as a waste product). Therefore, the production costs of oil and gas are tightly linked.

Also, since there isn't a world market for gas the way there is for oil (i.e. nothing exists like the "quoted crudes", Urals Blend, Brent or WTI), gas prices are subject to localised market pressures (demand, transportation/transit costs, monopoly suppliers, etc.) and are not very transparent. An oil-linked price actually takes away some of the arbitrariness in gas pricing by recognising that gas has a certain energy value that could be replaced by oil-derived fuels like fuel oil in certain major applications, such as electricity generation.

In the US, decades of increasing gas production from shale deposits without a proportional increase in the production of oil have disrupted the link between oil and gas production costs. Also, the US gas transportation network is built out to a sufficient extent, and the number of suppliers and consumers is so great, that a relatively transparent market has developed where the Henry Hub spot price (named for a gas pipeline node in Louisiana) is quoted on mercantile

exchanges and serves as a reference point for futures contracts and wellhead prices throughout the USA.

In an Integrated project, if an oil-linked price formula is applied the initial long-term contracts used to secure project financing are likely to have a floor and possibly a ceiling. The floor is intended to ensure that the capital and operating costs and debt payments are always covered, and the ceiling is intended to ensure that in terms of energy value, LNG stays competitive with alternatives like fuel oil.

In a Tolling project, the customer is responsible for buying and supplying gas to the LNG plant, and has considerable leeway in deciding how to do this – long-term contracts with particular suppliers, futures contracts, spot market purchases or a combination of these. Thus the price is whatever the customer and its suppliers negotiate and is subject to the vagaries of the US market.

Even though LNG buyers are eager to get exposure to US gas pricing, it is quite possible that, over time, oil-linked gas prices will drop significantly lower than Henry Hub-based prices. Given that the prevailing gas pricing model in North America is unique in the world (for now at least) and is de-linked from oil production and prices, if circumstances conspire to make Henry Hub prices higher than the oil-linked prices found elsewhere in the world, the Tolling LNG model that will be used for most US LNG projects could result in US LNG being uncompetitive in the global market.

In closing, I will note that some market observers predict (and many LNG consumers hope) that as LNG capacities come online all over the world, and especially when long-term LNG off-take contracts begin to expire, LNG will begin to trade in a transparent global market all its own. Others point out that since LNG competes directly with pipeline gas and some major gas importing markets, such as China and Europe, will have access to both, localised market pressures will continue to be an important factor in LNG pricing.

Реклама


Legal implications of the new Industrial Agreement for oil and gas sector companies and their service providers

VALERIY FEDOREEV
Partner, CMS, Russia

It is no secret that compared to most European countries Russian employment legislation is very employee-oriented. It provides a considerable number of benefits which employees in other countries could only dream of. However, foreign employers often forget that benefits set in Russian employment laws may not be exhaustive. They are usually just the beginning of the story.

As a general rule, Russian laws provide only for a minimum level of employees benefits. In addition to statutory benefits, employers often are subject to a number of additional obligations towards their employees as set out in collective agreements.

Collective agreements in Russia may be concluded at different levels. They can be concluded at a level of a company, at a regional level or in a specific industry sector. When a collective agreement is concluded at the level of a company, then everything is more or less clear. Both the employer and the employees, represented by a trade union or other representative body, are perfectly aware of conditions of the collective agreement and in most cases strictly follow its provisions.

However, if there is no collective agreement concluded at the level of a company, some employers often rely only on statutory provisions laid down in Russian employment laws. Those employers often forget to check whether there is a collective agreement concluded in a region where it conducts its operations or in a relevant industry sector.

As a matter of practice, industrial agreements are usually concluded in many sectors of the Russian economy. In this article we address issues related to the current Russian industrial agreement in the oil and gas sector.

In December 2013, the All-Russia Trade Union of Oil and Gas Sector and All-Russia Union of Employer in Oil and Gas Industry concluded a new Industrial Agreement for oil and gas sector companies (the "Agreement"). The Agreement came into force on 1 January 2014. It was concluded for a three-year term. The Agreement applies to companies operating in the oil and gas industry, oil and gas facilities construction, oil and gas refining, petroleum product procurement, oil and gas chemistry, oil and gas pipeline transportation, gasification and operation of gas facilities, transportation and sale of liquefied gas, geological exploration of hydrocarbon deposits, petrochemical production as well as companies operating in the field of oil and gas machine building.

The Agreement provides for a considerably larger scope of additional guarantees and compensations for personnel working in the oil and gas sector when compared to the scope of such guarantees and compensations established by the current legislation of the Russian Federation. As a consequence, these additional compensations and guarantees impose extra financial burdens on employers in the oil and gas industry.

For example, the Agreement provides for an obligatory annual salary adjustment due to inflation (so-called salary indexation). Although the Russian Labour Code also contains a similar provi-

sion, the Labour Code does not set strict rules in respect to the periodicity of the indexation. Under the Labour Code, the employers may make the salary adjustments less frequently than once a year. Under the Agreement, the adjustment must be made on an annual basis. To comply with the Agreement, employers must establish internal policies for the calculation of the annual index-related salary adjustment.

The Agreement also lays down a number of additional benefits for working mothers and other employees with family duties. Such benefits include: a one-time payment for each newborn child; additional monthly compensation to employees on pregnancy leave as well as to employees on child-care leave until a child is three years old. Employers should also partially compensate employees with the cost of summer camps for their children.

Under the Agreement, employees should be provided with additional compensation for annual vacation or upon retirement and in some other cases. The Agreement requires each employer to set the amount of such additional compensation in its internal policies.

The Agreement also imposes additional financial obligations on oil and gas companies in respect to the payment of an additional allowance for working in territories with harsh climatic conditions (Northern territories, some territories of Eastern Siberia, Far East and other parts of Russia). Under Russian law such an allowance is due to an employee only after six or twelve months of work in those areas. Compared to the statutory rules, the Agreement makes the employers pay this allowance to certain categories of employees starting from the first day of work. For instance, employees under 30 years of age who have lived in those territories not less than 5 years are entitled to this benefit.

Substantial additional payments should be made to employees suffering from a labour accident or work-related death – for an amount ranging from 30 to 350 times the minimum monthly wage in a corresponding territory.

Additional fully-paid days off should be granted to employees targeted by redundancy and employees requiring days off for family reasons such the birth of a child, a wedding, the beginning of the school year, the death of a close relative and other family reasons. The Labour Code provides for similar benefits but, compared to the Agreement, it does not require employers to pay employees for such days off.

The scope of the Agreement is not limited to industrial giants involved in "major" oil and gas related activities like extraction, refining, transportation and construction. The Agreement applies also to smaller companies which provide maintenance, transportation, research and development and design services to companies in the sector. Therefore, some small service providers, which for example offer research services to Russian oil and gas companies, might be surprised to find themselves being subject to the Agreement.

The Agreement is binding on employers whose main business activity falls under the scope of activities listed in the Agreement. To determine whether the main business activity of the company falls under the Agreement, the employer should check corresponding information in its foundation documents, as well as the Russian Register of Legal Entities or State Statistics Committee documents.

It is debatable whether the Agreement applies to representative offices and branches of foreign companies working in Russia. On the one hand the Agreement does not expressly exclude them. On the other hand it can be applied only if the branches or representative offices of foreign companies pursue the aforementioned types of business activities.

In respect to branches, this issue is fairly clear. Branches are allowed to conduct business activities in Russia. There-

fore they should be treated just like any other Russian employer working in the oil and gas sector. Branches shall be subject to the Agreement if their main business activities fall within the scope of the Agreement.

The situation with representative offices is more complicated. Under Russian law, a representative office should carry on only representative functions for its parent company. It may not conduct any business activity in Russia, including the provision of services to third parties. However, in practice, many representative offices of foreign companies often violate this rule. Although the scope of their activities under the registration documents never includes provision of commercial services to third parties, in fact such services are often being provided. Russian tax and other regulatory authorities rarely raise any issues in respect to this violation as long as the representative office properly pays all related taxes. However, knowing how sensitive Russian employment authorities can be to any issues related to employees benefits, we cannot exclude that employment authorities may take a different approach in this issue. They might take a view that the Agreement becomes binding also on the representative offices of foreign companies, which de facto provide commercial services listed in the Agreement to Russian companies in oil and gas sector.

The Agreement applies to employers who are members of the All-Russia Association of Employers in the Oil and Gas Sector and to employers who have authorized the Association to negotiate their collective agreements and to enter into the Agreement or accede to it after its conclusion on their behalf.

However, based on Russian law, the Agreement may also apply to other companies in the oil and gas sector and their service providers. Industrial agreements have their own specifics in terms of their application. They may apply not only to those employers who joined it, but also to those employers in the industry sector who did not expressly refuse to join it.

If employers do not want the Agreement to be binding on them, they should issue a reasoned refusal explaining why they do not want to be a part of the Agreement. The refusal should be filed with the Ministry of Labour and Social Security (the "Ministry of Labour") within 30 days following the date of the official publication of the proposal to accede to the Agreement.

Therefore, it is worth mentioning that the Agreement will automatically be binding on any employers in the oil and gas sector who pursue the aforementioned types of activities but do not submit their reasoned refusals in written form to accede to the Agreement within 30 calendar days of the official publication of the proposal to accede to the Agreement. Taking into account the date of the official publication of the proposal to accede to the Agreement, a reasoned refusal should be filed with the Ministry of Labour and Social Security of the Russian Federation by 13 May 2014, inclusive.

Those employers who come within the scope of application of this Agreement, including those who became bound by the Agreement due to having failed to submit their reasoned refusals to accede to the Agreement by the deadline, are recommended to amend their in-company regulatory documents in line with the terms of the Agreement. Employers who fail to comply with the terms of the Agreement may be held administratively liable in accordance with the current legislation of the Russian Federation.

The Agreement provides for a considerably larger scope of additional guarantees and compensations for personnel working in the oil and gas sector when compared to the scope of such guarantees and compensations established by the current legislation of the Russian Federation

Local Content Requirements Leave Room for Foreign Technology Suppliers

MIKHAIL KRUTIKHIN
Partner, RusEnergy Consulting Agency

Since the first days of Vladimir Putin's term as President of Russia, he has been insisting on the expansion of local content in oil and gas projects. In many cases international contenders for Russian contracts are obliged to form joint ventures (JVs) with local enterprises if they are to be allowed to tender for contracts. Some majors, such as Royal Dutch-Shell, have assigned significant funds to accumulate a comprehensive database of Russian companies that could be acceptable as JV partners, manufacturers of hardware components or providers of services. Smaller potential contractors look vigorously for specific local content, which might give them a winning edge over competitors.

Seen from a broader perspective, the patriotic attitude of the Russian leadership has made a deep impact on the shape of the vitally important national oil and gas industry. Just a decade ago, for instance, German, Japanese and Ukrainian companies could hope to get lucrative contracts from Gazprom or Transneft to deliver huge quantities of large-diameter pipes. These contracts are now history. Russian factories have learned to make such pipes and can fully satisfy domestic demand, even if Gazprom actually goes ahead with its gigantic South Stream or Power of Siberia pipeline projects.

Following the presidential strategy, planners are basing large-scale investment projects on the idea that Russian technologies, materials, equipment and labour are used wherever possible. The pre-feasibility study of the Power of Siberia pipeline, coupled with development plans for gas reserves in Yakutia and Irkutsk Region, is a good example: almost everything is going to be Russian-made.

Does it mean international companies have no chance to exploit the vast potential of such projects in Russia? Not at all. Some sensitive components are still unavailable in this country and have to be bought in from abroad. In the case of the Power of Siberia, the largest types of gas compressor units (over 24 MW) are not produced in Russia. Siemens and Mitsubishi are reportedly eyeing the opportunity to supply them when Gazprom launches the procurement procedure.

The same project envisages a petrochemical facility in Belogorsk on the Amur River, halfway between the gas fields and the Chinese border. That also needs foreign-made equipment. The pre-feasibility study states that the units for producing ethylene, propylene, polyethylene and polypropylene will have to be imported. Price estimates are quoted for comparable units delivered earlier to other Russian projects by Germany's Linde. In addition, Gazprom has already signed a memorandum with France's Air Liquide to cooperate in helium separation and storage technologies at Belogorsk.

Offshore oil and gas projects offer an even wider range of opportunities. Russia still has to place contracts for platforms' hi-tech topsides with foreign wharves, and it has no domestic company that can make sub-sea equipment. The list of options available to international contractors remains large enough to consider involvement in Russia regardless of the host government's political determination to enhance local content and limit the presence of foreigners in the oil and gas industry.

AEB News

Annual General Meeting

On 17 April 2014, in the Swissôtel Conference Centre, Moscow, the AEB held its Annual General Meeting. More than 350 representatives of AEB member companies participated. During the meeting, the General Assembly elected members of the AEB Board and Auditing Commission. Moreover, the General Assembly approved the Annual Report for 2013, the Financial Report for 2013 and the Budget for 2015. Changes to the AEB's Charter and Board rules were also approved. The AGM was followed by a Grand Reception.

The newly elected AEB Board members are:
Akim, Michael – ABB Russia
Bantsekina, Olga – Coleman Services UK Ltd.
Bongartz, Joerg – Deutsche Bank Ltd.
Hellevig, Jon – Awara Group
Helppolainen, Teemu – YIT
Linares, Antonio – ROCA in Russia and CIS
Pegorier, Philippe – Alstom
Sakuler, Gerald – Individual Member
Stech, John – Volvo Cars Russia LLC

The newly elected members to the Auditing Commission are:
Guskov, Alexander – IBFS united
Koschier, Marco – Deloitte
Semiletov, Roman – HeidelbergCement RUS
Uijtendaal, Gerard – HLB Vneshaudit

At this point we would like to thank the members of the Board and Auditing Commission who devoted their time, energy and knowledge to the AEB's advancement in 2012-2014. We also thank all the nominees who unfortunately were not elected to the Board.

Last but not least, we express our sincere thanks to Reiner Hartmann (AEB Board Chairman) and Roger Munnings (First Deputy Chairman, AEB Board) for giving their long-standing committment to the AEB and substantially contributing to its success.

Don Scott, Chairman of CNR, chaired the meeting

Participants at the AGM

Reiner Hartmann, Chairman of the AEB Board (2006 - 2014)

Philippe Pegorier is the new Chairman of the AEB Board

The AEB is pleased to announce that the Board elected **Philippe Pegorier**, Country President, Alstom (Russia, Ukraine, Belarus), **Chairman of the Board** at its first meeting after the AEB Annual General Meeting on 14 May. **Olga Bantsekina**, Chief Representative, Coleman Services UK Ltd, was elected First Deputy Chair. **Joerg Bongartz**, Chairman of the Board, Deutsche Bank Ltd and **Teemu Helppolainen**, Head of Business Area in Russia, YIT, were elected Deputy Chairpersons. Joerg Bongartz was also elected the Treasurer of the AEB Board.

Briefing by Denis Manturov

On 23 April 2014, Denis Manturov, RF Minister of Industry and Trade, briefed AEB members on Russia's current and future industrial policy. The Minister also answered questions of AEB members on topics like localization of production, technical regulations, public procurement, liberalization of parallel imports, to name but a few. Over 150 representatives of member companies and the media participated in the event.

Denis Manturov, RF Minister of Industry and Trade

Participants at the briefing

L-R: **Arvid Tuerkner**, Director for Regional Development, EBRD; **Natasha Khanjenkova**, Managing Director Russia, EBRD; **Ruslan Kokarev**, Chief Operations Officer, AEB; **Evgeniy Panasiouk**, Senior Executive, EY; **Orlin Efremov**, AEB Small and Medium-Sized Enterprises Committee Chairman, General Director, Performance Partners.

Webinar "Growing from small to medium sized company: business and administrative aspects"

On 22 April 2014, the AEB held the second webinar "Growing from small to medium sized company: business and administrative aspects", organized by the SME Committee and the Finance & Investments Committee in partnership with the European Bank for Reconstruction and Development (EBRD). The event was broadcasted on-line, as well as to EBRD offices in St. Petersburg, Rostov, Samara, Yekaterinburg and Vladivostok.

The AEB considers energizing the SME sector in Russia as one of the Russian government's strategic directions. Taking into account the importance of this topic, the webinar covered the following issues: SMEs in Russia from macroeconomic perspective, cooperation with multinationals, access to information and consulting for SMEs.

The AEB kindly thanks the **EBRD** (partner), **Businessland Services Ltd**. and **EY** (silver sponsors) and European Information Consulting Center in Russia and Russian Agency for Small and Medium Business Support (information partners) for their support.

The Fifth Northern Dimension Forum

The Fifth Northern Dimension Forum was held on 3 April 2014 in Saint Petersburg. Over 250 participants attended the event this year.

Public-private partnerships as instrument for the development of regional infrastructure as well as vocational education and training were chosen as the focus by the organizers of the Forum: the Northern Dimension Business Council (NDBC) and the AEB.

The speakers included high-ranking Russian and European government officials, NGOs and members of the business community, including Vladimir Bulavin, Plenipotentiary Presidential Representative in the North-Western Federal District; Esko Aho and Paavo Lipponen, former Prime Ministers of Finland; Sven-Olov Carlsson, Deputy Head of the EU Delegation to the RF; Aleksey Meshkov, Deputy Minister, RF Ministry of Foreign Affairs; Sergey Belyakov, Deputy Minister of Economic Development of Russian Federation and others.

L-R: **Sven-Olov Carlsson**, Deputy Head of the EU Delegation to the RF; **Alexey Mordashov**, General Director of JSC "Severstal"; **Tapio Kuula**, President and CEO, Fortum Corporation.

At the Round Table on Transport and Logistics

L-R: **Marina Petrov**, Head of North-West Federal District, EBRD; **Sergey Zimin**, Investment Ombudsman in the North-Western Federal District; **Susanne With**, Senior Advisor, Corporate Communications, EKN.

L-R: **Natasha Khanjenkova**, Managing Director, RBRD, Russia; **Michael Akim**, Vice-President, ABB Russia.

The AEB gratefully thanks:

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L-R: **Frank Schauff**, CEO, AEB; **Andrey Murga**, Vice-President of the Government, Stavropol Region; **Vladimir Vladimirov**, Acting Governor of Stavropol Region; **Philippe Pegorier**, Chairman of the AEB Board.

Presentation of Stavropol Region

On 19 May 2014, a high-level delegation from the Stavropol Region, headed by the Acting Governor, Vladimir Vladimirov, met with representatives of the AEB and made a presentation about the investment potential of their region. The presentation made by Vladimir Vladimirov and the Vice-President of the Government, Andrey Murga, focused on the current development of the region, ongoing investment projects, investment opportunities as well as available privileges and preferences for investors. At the end of the presentation, AEB member companies that run businesses in the region shared their experience and answered questions from the audience.

L-R: **Stuart Lawson**, AEB Finance & Investments Committee Chairman / Executive Director, EY; **Alexander Demidov**, Managing Director, GfK-Rus; **Frank Schauff**, CEO, AEB.

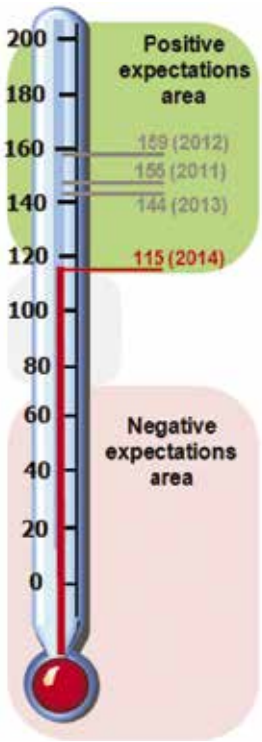
AEB Annual Survey – "Strategies and Prospects for European companies in Russia"

On 20 May 2014, the AEB and the Institute for Market Research GfK-Rus announced the results of the AEB Annual Survey, "Strategies and Prospects for European companies in Russia". The Survey analyses the comfort level for European business in Russia and evaluates the country's investment climate.

Alexander Demidov, Managing Director, GfK-Rus, presented the results of this year's survey. The presentation was followed by a Q&A session.

According to the survey results, European companies doing business in Russia have cut their investments and feel less optimistic regarding both the macroeconomic development of the country and the growth of their own business. The integrated AEB-GfK Index dropped by 29 points compared to 2013 and amounts to 115 points out of 200 possible (in 2013 – 144 points, in 2012 – 159 points).

The results of the AEB Survey and press release are available in Russian and in English at the AEB web-site.



AEB-Gfk Index, 2014

We would like to thank the companies who contributed to the survey with their answers and hope that more of our members will be interested to participate in this project in the future.

AEB COMMITTEE UPDATES

Customs and Transport Committee

7th Annual Press Conference: REVIEW 2013

On 9 April 2014, AEB Customs and Transport Committee hold its 10th Annual Customs Conference, "New in customs legislation: practice and procedure" at the Ararat Park Hyatt Moscow.

The conference covered the current changes to the customs legislation and practice, as well as hot customs topics such as customs risk management system, customs control on post released goods, administrative responsibility for violations of customs rules, customs benefits for foreign investors localizing manufacturing in Russia, TIR procedure in the Russian Federation and others.

The conference was held under the slogan Partnership between Customs and business.

L-R: **Dmitry Cheltsov**, Chairman of the AEB Customs and Transport Committee, TNT Express Worldwide CIS; **Wilhelmina Shavshina**, Deputy Chair of AEB Customs and Transport Committee, Legal and BD Director, Head of Foreign Trade regulation practice, DLA Piper; **Alexander Ratnikov**, expert on customs legislation; **Alexander Kosov**, Head of Practice for Customs and Foreign Trade Regulation, Pepeliaev Group; **Vyacheslav Goloskokov**, Head of Division on Risk Management and Operative Control, Federal Customs Service.

Energy Committee

On 24 April 2014, the AEB Energy Committee held its last meeting under the presidency of Reiner Hartmann. The event started with a ceremony of transfer of power from Reiner Hartmann who served on the Committee for more than 12 years. He is succeeded by Igor Ignatiev, who thanked Mr. Hartmann for the Committee's achievements during this period underlining his high professional and human qualities and the personal stamp he had left on the Committee. On behalf of the Committee members, Olga Rumyantseva, Executive Director of Representation in Russia, Gasunie, also thanked Mr. Hartmann in her short speech:

"I would like to thank Reiner Hartmann for setting the example of how things should be done. Dear Reiner! Watching your multifaceted activity, be it your function as the Head of Representation of Rurhgas, then E.ON Rurhgas and now E.ON Global Commodities SE, your chairmanship of the AEB Energy Committee and the Board of the Association, your role in the EU-Russia Industrialists Round Table, cooperation with the Russian Union of Industrialists and Entrepreneurs and many others, one can see you demonstrating the highest professional performance as a result of your vast experience. Let me sincerely wish a lot of success with your further activity including more new undertakings that, according to the fundamental conservation laws, will come your way in place of the ones you have completed. And may the positive energy always stay in all spheres of your life."

Members of the AEB Energy Committee with **Mr. Reiner Hartmann**

HR Committee

Open Event "General Manager at the Age of 30. Is this the Future?"

On 24 April 2014, the AEB HR Committee held its open event, "General Manager at the Age of 30. Is this the Future?", which was organized by the Recruitment Sub-Committee. In the debates two teams oparticipated: affirmative and negative. The members of the affirmative team (Felix Heinicke, General Director, Heinicke Consulting LLC; Denis Chalov, General Manager, AGroup Russia; Anton Kushner, CEO, Russian Standard Insurance) tried to prove that age is irrelevant to effective leadership. The members of the negative team (Natalia Tikhomirova, Senior Manager, HR Consulting, PwC; Susanne Doenitz, Managing Partner, Alexander Hughes CIS; Irina Maltseva, Director of the International Institute of Administration and Business (IIAB), Higher School of Economics) tried to prove the opposite. The event was moderated by Michael Germershausen, Chair of the AEB HR Committee, Managing Director, Antal Russia.

L-R: **Anton Kushner**, CEO, Russian Standard Insurance; **Denis Chalov**, General Manager, AGroup Russia; **Felix Heinicke**, General Director, Heinicke Consulting LLC; **Michael Germershausen**, Chair of the AEB HR Committee, Managing Director, Antal Russia; **Natalia Tikhomirova**, Senior Manager, HR Consulting, PwC; **Irina Maltseva**, Director of the International Institute of Administration and Business (IIAB), Higher School of Economics; **Susanne Doenitz**, Managing Partner, Alexander Hughes CIS.

Intellectual Property Committee

Round Table "Intellectual Property and Social Media"

On 25 April 2014, the AEB Intellectual Property Committee and AEB PR Committee held a Round Table entitled "Intellectual Property and Social Media". During the event, the topics covered included: qualification of Intellectual Property (IP) infringements in social media; ways of responding to IP infringement claims in social media; social networks and moral rights; social networks as informational intermediaries; role and meaning of corporate social media in the internal communication and PR; Russian and European practices of intellectual property in the PR industry.

Evgeniya Skobeleva, Head of Grayling in Russia; **Edgars Puzo**, Chairman of the AEB IT-Committee, General Director, Atos; **Anna Gemish**, Senior PR-manager, Sokur & Partners; **Igor Reichlin**, Chairman of the AEB PR-Committee, Partner, Reichlin and Partners; **Ekaterina Tilling**, Deputy Chairperson of the AEB Intellectual Property Committee, Lawyer.

The event was co-moderated by Ekaterina Tilling, Deputy Chairwoman of the AEB Intellectual Property Committee and Igor Reichlin, Chairman of the AEB PR-Committee.

North-Western Regional Committee

AEB North-Western Regional Committee Elects new Steering Group

On 2 April 2014, the AEB North-Western Regional Committee held its Annual General Meeting in St. Petersburg. At that meeting, chairman Timo Mikkonen summarized the main results of the work done so far by AEB in the St. Petersburg and North-West Regions. During the meeting the AEB North-Western Regional Committee held elections of the new Steering Group. The following persons were elected to the new steering group:

- **Timo Mikkonen**, Vostok Consulting OY (Timo was reelected as the Chairman of Committee)
- **Juuso Hietanen**, NCC
- **Wilhelmina Shavshina**, DLA Piper
- **Andreas Bitzi**, Russia Consulting
- **Anton Rassadin**, BSH Group
- **Glen Kolleeny**, Dentons
- **Dmitry Poliakov**, Galitzine Consulting Ltd.
- **Mikko Söderlund**, SRV Russia Ltd.
- **Lauri Veijalainen**, Stockmann Group

Also the elections of Chairs of AEB NWRC took place prior to the meeting. The following persons were elected as chairs:

The election process

1. Construction & Real Estate Subcommittee
   Söderlund Mikko, SRV Group plc, St. Petersburg
2. Customs, Transportation & Logistics Subcommittee
   Vasiliev Sergei, Senior Associate, DLA Piper
3. HR & Migration Subcommittee
   Novosyelova Elena, Coleman Services
4. Legal & Taxation Subcommittee
   Afanasyeva Anna, BEITEN BURKHARDT
5. Manufacturing Subcommittee
   Polyakov Dmitry, Galitzine Consulting Ltd.
6. Marketing, PR & Communications Subcommittee
   Hahl Kai, Promaco

Open event: Government Briefing

On 2 April 2014, the AEB NWRC invited Maxim Kiselnikov, First Deputy Vice-Governor of Leningrad Region to present the newly developed Investment Strategy, 2025. He described the potential for the Leningrad Region in terms of foreign investment. The event gave a forum for AEB NWRC members to get first-hand information and clarify issues.

L-R: **Maxim Kiselnikov**, First Deputy Vice-Governor of Leningrad Region; **Reiner Hartmann**, Chairman of the AEB Board; **Frank Schauff**, CEO, AEB; **Timo Mikkonen**, Vostok Consulting OY, the Chairman of Committee.

Real Estate Committee

Transport Infrastructure of Moscow: which way?

On 25 April 2014, the AEB Real Estate Committee held an open event "Transport Infrastructure of Moscow: which way?" During the event, specialists covered such topical issues as: transport in Moscow and the Moscow oblast; Moscow underground; PPP in Moscow and thed Moscow oblast for transport and practical aspects of the financing of infrastructure projects. The AEB sincerely thanks **Dentons**, the Silver Sponsor, of the event.

L-R: **Karima Nigmatulina**, Director, State Unitary Enterprise "Research and Project Institute of Moscow City Master Plan"; **Victor Verma**, General Manager, OOO Caverion Elmek, AEB Real Estate Committee Chairman; **Christophe Vicic**, COO, Jones Lang LaSalle; Steering group member, AEB Real Estate Committee.

Southern Regional Committee

On 31 March 2014, Annual General Meeting of the AEB Southern Regional Committee (SRC) was held in Krasnodar. The event took place at the venue of the company, Knauf.

At the meeting the activity report of the AEB SRC Steering Group in 2012-2013 was heard and approved. The elections of the steering group of the Committee and its leadership were held. According to the results of secret voting the Steering Group was elected in the following composition:

- **Andreeva Alica**, Nestle Kuban LLC
- **Bendisch Ralf**, OOO CLAAS
- **Brener Igor**, Cargill in Russia
- **Kalmykova Anna**, EY
- **Kiyanova Elena**, Philip Morris Kuban
- **Popova Lyubov**, JSC Gubsky kirpichniy zavod
- **Pustovit Yuri**, Advocates Bureau Yug
- **Rusaleva Anna**, Siemens LLC
- **Zharko Oleg**, Bank Center-invest

After the Annual meeting, the newly elected AEB SRC Steering Group held its first meeting. At the meeting, Oleg Zharko was re-elected the Chairman of the AEB SRC. Vice-chairs were elected in accordance with proposal of the new chairman:

- **Bendisch Ralf** – Deputy on investment issues
- **Brener Igor** – Deputy on HR issues - Deputy on regional government relations.

Taxation Committee

De-offshorization prospects: consequences for Russian and international companies

On 23 April, the AEB Taxation Committee held a round table entitled "De-offshorization prospects: consequences for Russian and international companies".

Taxation experts discussed the draft law of CFC and tax residency rules and their implications for international and Russian companies. Sergey Shatalov, Deputy Minister of Finance of the RF, was the guest speaker at the event and presented his views on various aspects of the draft law.

L-R: **Mikhail Aleksandrov**, Partner, DS Law; **Rustem Ahmetshin**, Senior Partner, Pepeliaev Group; **Andrey Ignatov**, Partner, EY; **Sergey Shatalov**, Deputy Minister of finances of the RF; **Vadim Zaripov**, Deputy Chairperson of the AEB Taxation Committee, Head of analytical department, Pepeliaev Group; **Alina Lavrentieva**, Chairperson of the AEB Taxation Committee, Partner, PwC.

MEMBER NEWS

ACCA

On 25 February, ACCA, represented by Stephen Heathcote, Executive Director, Lucia Real-Martin, Director, and Anna Pirozhkova, Head of ACCA Russia, along with the Financial University under the Government of Russian Federation represented by Rector, Mukhadin Eskindarov, President Alla Gryaznova, Dean of International Finance Faculty Alexander Ilyinsky and Director of International Collaboration Pavel Seleznev, signed a Memorandum of Understanding. This marks a new stage of ACCA's development in Russia and has huge importance for university students and graduates.

During the meeting the representatives of ACCA and the University discussed topical issues of possible collaboration such as: accreditation of University academic programs by ACCA, which gives students an opportunity to get professional financial qualifications at an earlier stage of their career, international collaboration with ACCA as a global organisation, including the world-wide network of universities accredited by ACCA.

Stephen Heathcote said: "The term 'accountant' has various meanings in different languages. In ACCA by accountant we understand a multifunctional specialist equally competent in financial and management fields who can be an irreplaceable employee for any company."

ACCA Russia is aiming at dynamic development of mutually beneficial cooperation with Russian universities. The signing of the Memorandum is a big step forward in this direction.

ACCA, Moscow State University of Railway Engineering (MIIT) and JSC Russian Railways (JSC RZhD) signed trilateral Memorandum of Understanding

ACCA continues to develop partnership with Russian universities. On 9 April, ACCA, Moscow State University of Railway Engineering (MIIT) and JSC Russian Railways (JSC RZhD) signed a trilateral Memorandum of Understanding. This step highlights ACCA's strategy of strengthening collaboration with universities and the developing accountancy profession in Russia. As distinct from the previous Memorandum with the Financial University, this one was preceded by the creation of the Department of

International Financial and Management Accounting in the Moscow State University of Railway Engineering as a joint initiative with JSC Russian Railways. Galina Craft, Accounting manager, Member of the Executive Board of RZhD, underlined that long-term relationships with ACCA will make it possible to raise a necessary amount of specialists who are able to work according to International Financial Reporting Standards (IFRS).

Karen Yates, Head of Education, Europe in ACCA said: "Establishment of partnership with such a large company as RZhD and also with one of the oldest country's universities is an exciting opportunity for us. ACCA was founded more than 100 years ago and ever since we've been preparing best specialists of the financial industry. We've been working in Russia for more than ten years now and we aim to create here accountants of the new generation who are well aware of modern trends in financial world."

Alinga Consulting Group

Alinga Consulting Opens Saint Petersburg Office

Alinga Consulting Group is proud to announce the opening of a new office in Saint Petersburg. We are excited to be entering this growing Russian economic and cultural centre, which hosts Russia's largest concentration of small and medium-sized businesses. Alinga's Managing Partner, Chet Bowling, who has been a fixture of Moscow's active business scene since its early days in the 1990s, believes that entering the St. Petersburg market now makes sense. He hopes that extending Alinga's geographic reach will better serve Alinga's clients.

We invite you to contact Dmitry Andreev, our new Regional Manager for St. Petersburg and the Russian Northwest, at 55 Nevsky Prospekt, third floor or by phone at +7 (812) 313 9143 or Dmitry's number: +7 (812) 924 8991 or fax +7 (812) 313 9100. We hope that our audit, taxation, legal, accounting, and payroll services will be of use to making business even more profitable and innovative in Saint Petersburg.

ALPE consulting

SAP Quality Award 2013 and SAP Forum Moscow 2014

The SAP project at the Group of Companies AKFA (Uzbekistan) implemented by ALPE consulting has received the Bronze SAP Quality Award for 2013. A representative of ALPE consulting presented the project at the SAP Forum on 10 April in Moscow, where ALPE consulting was also a Bronze sponsor.

Mahle Global Solution Implementation - Obninsk

In January 2014, the SAP MAHLE global solution project was completed in Obninsk, Russia. From the very beginning the business processes of the new Russian legal entity were being created on the basis of SAP ERP, enabling the replication of the global template with only a few deviations for the Russian legislation. Over 9 months the following modules were implemented: sales & distribution, purchases, inventory management, logistics, finances, controlling. The German company MAHLE is one of the leaders in automotive part manufacturing.

SAP Go-Live at Kermi

In January 2014 the Russian subsidiary AFG RUS of the German company Kermi successfully went live with their SAP system. Modules for purchasing, supply & distribution and finances were implemented and over the last few months ALPE's consultants have been providing support. Kermi is one of the largest European manufacturers of radiators and shower enclosures.

SAP Support Project at Baccardi Rus

In January 2014 ALPE consulting successfully completed the project of asset management and next period expenses automation at OOO Baccardi Rus. Within the framework of the project, the RAS standards accounting as well as parallel accounting according IFRS had been adjusted.

VOLKSWAGEN Group Rus

Volkswagen Group makes a good start to 2014

The Volkswagen Group has made a good start to fiscal year 2014 in a market environment that remains difficult. Sales revenue rose by 2.7% in the first three months of the year to EUR 47.8 billion (EUR 46.6 billion) despite negative currency effects. Operating profit grew by 21.8 percent to EUR 2.9 billion (EUR 2.3 billion). The Group's operating profit and sales revenue exclude the activities of the Chinese joint ventures, which are accounted for in the financial results using the equity method and are therefore not included in consolidated operating profit. The share of operating profit attributable to the Chinese joint ventures in the first quarter of 2014 was EUR 1.24 billion (EUR 1.16 billion).

Depending on economic conditions, Volkswagen is expecting 2014 sales revenue for the Group and its business areas to move within a range of 3% around the prior-year figure. In terms of the Group's operating profit, Volkswagen is forecasting an operating return on sales of between 5.5 percent and 6.5 percent in 2014 in light of the challenging economic environment, and the same range for the Passenger Cars Business Area. The Group expects the Commercial Vehicles/Power Engineering Business Area to moderately exceed the 2013 figure. Volkswagen anticipates an operating return on sales of between 8% and 9% in the Financial Services Division.

APPOINTMENTS

Antal

Michael Germershausen appointed Managing Director Eastern Europe FiveTen Antal

Michael Germershausen joined Antal Russia in 2003 and rose from recruitment consultant to team leader in just two years. In 2005 he became a Partner, heading up the Sales, Marketing Retail Recruitment practice. He was promoted to Deputy Managing Director in July 2007, and then to Managing Director in November 2009. Before joining Antal, he worked with top brand names (BMW & Rolls-Royce). A leading industry expert, Michael is often asked to provide market commentary for general and specialized media. In April 2014 he was promoted to Managing Director Eastern Europe FiveTen Antal.

AstraZeneca

Kristina Rodnikova appointed Country President, AstraZeneca Russia

Kristina Rodnikova was appointed Country President, AstraZeneca Russia. Kristina replaces Nenad Pavletic who, as previously announced, has been appointed Country President for AstraZeneca Nordic-Baltic.

Kristina is a senior commercial executive with diverse experience leading organizations of various sizes and business segments across Molecular Diagnostics, Pharmaceuticals, and Nutritionals. She has direct experience of working, living and leading businesses in EMEA, USA, Canada, Japan and Latin America.

Kristina started her career at Merck, Sharp & Dohme in Russia in product management and commercial affairs. She joined Abbott Laboratories in the US in 1996, initially in their Nutrition business before moving on to the Pharmaceutical Division in 2002, first as a Senior Product Manager, followed by Commercial Director for Latin America & Canada and finally Marketing Director, Japan. In 2007 Kristina moved to the Abbott Diagnostics business as General Manager Canada and from 2008-2013 she was the Divisional Vice President & General Manager, Europe, Middle East, Africa & India, for Abbott Molecular Diagnostics based in Germany. Kristina joins AstraZeneca from Beckman Coulter Diagnostics where for the past year she was Vice President Commercial Operations Europe.

Kristina holds a Master of International Business Studies (MIBS) from the University of South Carolina, USA and a BSc in Economics and Geography from Moscow State University.

ALPE consulting

Head of the Customer Support & Maintenance Services

Natalya Vyatkina is Head of Customer Support & Maintenance and is responsible for over 20 customer accounts as well as expanding the unique offering of ALPE consulting. Natalya joined the company in March 2013 working as Senior Project Manager for various international SAP projects. Prior to joining ALPE consulting, Natalya worked as the Team Lead of Logistics for a major SAP implementation project in the oil and petroleum refining industry from 2011 to 2012. Prior to that Natalya held the position of Head of IT Department (CIO) at OAO KALINA, supervising SAP functional modifications and restructuring the Customer Support Internal Department. Natalya has over 6 years of experience working with SAP projects and her first project she managed at OAO KALINA was awarded the prize for best project among middle-sized enterprises in 2010. Natalya Vyatkina holds a degree in Linguistics from the Ural Pedagogical University and is fluent in Russian and English.

Finance Director

Paul Bieber has been working at ALPE consulting as the Finance Director since January 2014. He is also a Partner in the company GSS (Glavny Strakhovoy Sovetnik) and was previously the Chief Financial Advisor for GSS Global Survey Services and Business Development Director for OOO Open Link.

For many years Mr Bieber worked for Austrian Airlines in various positions most recently including Area Controller CIS and Financial Director of the Representative Office in Russia, having started his career as Manager Finance & Administration in the early 90s in Libya. Paul holds a MSc in Social and Economic Science from the Vienna University of Economics and Business and is fluent in German, English and Russian.

NEW MEMBERS

1Forma

1Forma is a Russian software developer. We provide 1Forma platform - a workflow and processes management software that streamlines business communication and provides comprehensive and effective means for document management, project management and collaboration.

We help our customers increase their business efficiency. 1Forma success stories come from different industries such as pharmaceuticals, HoReCa, retail, machinery, entertainment and many others.

ABB Electrical Equipment Ltd.

ABB is a leader in power and automation technologies that enable utility and industry customers to improve their performance while lowering environmental impact. The ABB Group of companies operates in around 100 countries and employs about 150,000 people.

www.abb.com

AGroup

AGroup is the leading innovative Human Capital Management software development company and employee benefit administration services provider in Russia, Baltics and Eastern Europe.

We help you move beyond business process automation, effectively closing the gap between your business strategy and your results, and engaging your workforce.

We make a difference by making sure that your workforce is performing at the top of its potential.

We provide you with the best-of-breed solution for managing your employee benefits and boosting your employee benefit program to the highest level. By doing this we help you increase employee satisfaction and retention, and drastically decrease HR time spent on administration tasks.

AstraZeneca

AstraZeneca is a global innovation-driven biopharmaceutical company focused on delivering great medicines to patients through innovative science and excellence in development and commercialisation.

AstraZeneca's expertise spans the entire life-cycle of a medicine and the company has capabilities in both small molecules and biologics.

Science and patients are at the heart of everything AstraZeneca does. The company conducts its research across 3 continents and invests over $4 billion each year in the discovery and development of the next generation of innovative medicines targeting unmet needs.

AstraZeneca primarily focuses on cancer, cardiovascular/metabolic disease and respiratory, inflammatory and autoimmune disease. Alongside this, the company is active in infection and neuroscience with targeted investments in opportunities and collaborations.

AstraZeneca employs around 50,000 people worldwide in over 100 countries. Company sales in 2013 totalled over $25.7 billion.

Russia is one of the key markets for AstraZeneca. AstraZeneca has been present in Russia since 1993 and now employs more than 1,200 people in 80 cities. Around 40 of AstraZeneca's innovative medicines are licensed for sale in Russia. One of the key goals of AstraZeneca Russia is to make a contribution to shaping an innovative pharmaceutical industry in Russia. In 2011 AstraZeneca began construction of a new $187 million manufacturing facility in the Kaluga region and launched several projects to support R&D progress in Russia. Overall, AstraZeneca's total contribution to the Russian economy will see over $1.2bn invested in the five years from 2011.

www.astrazeneca.ru

Benteler Automotive

Benteler Automotive – a Family with a Passion for Success through Excellence

As a full-service supplier for practically all large vehicle manufacturers, Benteler Automotive offers customized solutions for a broad range of products. Best-in-class technologies and material concepts, operational excellence and a solution-based product portfolio make us one of the leading providers worldwide.

Benteler Automotive made its first steps in Russia 1999 establishing a development office in Veliky Novgorod. In January 2009 Benteler Automotive was nominated as a suspension modules supplier for Volkswagen in Kaluga and since June 2010 has been producing suspension modules for VW Polo, VW Tiguan, Skoda Fabia and Skoda Octavia and delivering them to VW on a just-in-time and just-in-sequence basis. In summer 2012 a press shop with two automatic transfer

presses with a force capacity of 2,500 and 1,000 tons was put into operation. Along with the press shop a component plant began operation encompassing MAG welding (12 welding cells), KTL painting and mechanical processing.

Currently Benteler Automotive Russia encompasses an area of 16,400 m², employs round 350 people, supplies vehicle manufacturers such as Volkswagen and AvtoVAZ, and has great potential for cooperation with other OEMs.

Benteler Automotive is part of the Benteler Group. Founded in 1876, the company is privately held and family owned in the fourth generation. Benteler Group employs a total workforce of 30,000 at 170 locations in 38 countries.

www.benteler.com

BOSCH
Invented for life

Bosch

The first Bosch products appeared on the Russian market in 1904. The company now provides a wide range of quality products and services in the areas of automotive equipment and spare parts, power tools, heating technology, security systems, industrial packaging equipment and integrated system solutions for the automation of manufacturing processes. Bosch has three of its own plants in Russia. The company plans to further strengthen its rankings on the Russian market. The Bosch Thermotechnology division is building a new industrial and wall-mounted gas boiler plant on an existing Bosch site in the city of Engels in the Saratov region. There will also be a new automotive technology plant in Samara, which will manufacture equipment for various divisions: electric drives, control gear, starters, alternators, and diesel systems.

www.bosch.ru

Brainpower
HUMAN CAPITAL EXPERTISE

Brainpower

Brainpower is a market-leading multicultural Executive Search, Management Selection, and HR Consulting company operating in Russia and CIS since 1993. In 2009 we joined BPI group, a leading global management and HR consulting company, with 2000 consultants in 40 countries all over the globe.

Over the years, Brainpower has gained an expert understanding of the market and its key players, placed thousands of professionals in the largest foreign and Russian companies across all sectors, and built long-term partnerships with its clients and candidates guided by the highest ethical and professional principles.

A combination of a unique approach supported by the highest western management standards, a multinational team of industry-specialized consultants who successfully leverage previous work experience in their areas of expertise, and the most efficient tools and search strategies, allow Brainpower to conduct tailored and cost-effective solutions to meet our clients' human capital needs. We cover a wide range of levels, from niche specialists and middle managers to top executives across all sectors of the economy.

Brainpower's offices operate in Moscow, St. Petersburg, Yekaterinburg and Novosibirsk.

www.brainpower.ru

Chevron

CHEVRON NEFTEGAZ INC.

Chevron is one of the largest integrated energy companies in the world. Chevron Neftegaz Inc. coordinates and implements the strategy of Chevron Corporation in Russia.

Chevron's activities in Russia include:

- Chevron is the largest private shareholder in the Caspian Pipeline Consortium (CPC).
- Chevron continues to work with Russian partners to identify opportunities for oil and natural gas exploration and development.
- Coordination of oil and petroleum product marketing and transportation.
- Chevron technology licensing.
- Oronite – a Chevron company – supplies lubricants additives to Russia.
- Joint research activities with Russian research institutes in the areas of refining and petrochemicals.

www.chevron.com

KOMMUNICATOR

COMMUNICATOR CREATIVE EVENTS

COMMUNICATOR CREATIVE EVENTS was founded in 2004 by the professionals in the field of event marketing and marketing communications.

A unique feature of the company activity is the use of innovation technologies and constant striving to perfectness from the first days of COMMUNICATOR Creative Events foundation.

Within 10 years, the company organized over 500 events that involved about 320,000 employees, partners and guests of client companies.

The agency belongs to the Group of Companies COMMUNICATOR providing its services in the field of corporate consulting and PR.

www.creativevents.ru

Creditreform

Potential partner search and assessment, credit risk assessment, debt management

Creditreform is an international agency, which carries out its activities for over 130 years. Our task is professional business partner management across all stages of its counterparty relations, starting from targeted search of potential and reliable partner, its due diligence in terms of key financial indicators and negative criteria, assessment and recommendations as well as legal support and debt management in case of defaulted deal.

Potential counterparty search and assessment

Our databases include over 6,000,000 legal entities in the Russian Federation and over 170,000,000 legal entities globally enabling us to search for partners abroad.

Credit risk assessment

New products offered by Creditreform RUS include information reports on companies containing complete, official and checked data on legal entities. Each of the following products: e-Premium, e-Report, e-Compact, e-Score, e-Check was created in such a way so that you get only essential information on your counterparty.

Debt management

In our opinion it is an integrated package of measures aimed at enhancement of our clients' business, including: accounts monitoring, collection of accounts receivable through pre-trial settlement and court proceedings as well as enforcement proceedings.

www.creditreform-rus.ru

LLC Corporate Health

Founded in 2008, LLC "Corporate Health" has dedicated its activities to improving the level of health, well-being and productivity of employees in order to increase business efficiency and reduce the "human factor" costs for client companies. "Corporate Health" is a Russian company and is run by Russian specialists. We have set up and developed a highly efficient, well-trained network of professional consultants working in various cities around Russia, Ukraine and Kazakhstan. In our work, we combine the experience of Russian specialists with the achievements of two well-known providers of Employee Assistance Programs in the United States - Chestnut Global Partners and BEAC. Their clients include the most well-known multinational companies in more than 125 countries worldwide. Some of these companies are also clients of "Corporate Health" in Russia, Ukraine and Kazakhstan. Our services meet the highest standards set by professional associations such as EAPA and EASNA.

www.corphealth.ru

Crocus Expo

Crocus Expo International Exhibition Centre is one of the largest and modern fairgrounds of the world, a full member of The Global Association of the Exhibition Industry UFI in categories of Exhibition Organizers and Exhibition Centres.

The high status of the complex by many international partners who have chosen Crocus Expo as a platform for their projects holding!

Crocus Expo IEC today features:

- overall exhibit space comprises 548 794 sq m;
- 3 pavilions with indoor passageways equipped with travellators;
- 19 exhibition halls with soundproof partitions;
- food court and cafes (up to 7 000 seating capacity);
- 49 conference halls of various seating capacity including a unique concert and congress Crocus Congress Hall (Hall 20);
- VIP meeting rooms, press centre;
- outdoor area;
- free parking for 26 000 car slots;
- Aquarium hotel***;
- Myakinino metro station with exit door opposite from Crocus Expo pavilions;
- customs office making customs clearance right on Crocus City sight;
- helipad.

Crocus Expo IEC infrastructure allows holding projects of any scale and profile: industrial exhibitions and international salons. Every year the venue accommodates more than 300 events (exhibitions, trade fairs, conventions, conferences and symposiums, corporate partiers and sporting events) and the number of visitors runs into millions.

www.crocus-expo.ru

Interface

Interface is a global leader in the design and production of carpet tiles. Its products combine beauty and innovation with functionality and environmental credentials to help customers bring their design vision to life.

Interface was one of the first companies to publicly commit to sustainability, when it made a pledge in the mid-90s to eliminate its impact on the environment by 2020. Known as Mission Zero®, it influences every aspect of the business and inspires the company to continually push the boundaries in order to achieve its goal.

Interface is now more than half way to reaching Mission Zero and has been widely recognised for its achievements

to date. Its products have also won several awards, specifically for design and innovation, the most recent being the Athenaeum Good Design Award for World Textiles.
www.interfaceglobal.com

JUNGHEINRICH
Machines. Ideas. Solutions.

Jungheinrich

Jungheinrich is one of the world's three leading companies in the material handling equipment, warehousing and material flow engineering sectors, as well as the European leader in warehousing technology. Established in Hamburg, Germany, in 1953, our company offers the full range of products and services "all around the stacker". Rather than taking the "one size fits all" approach, we focus on providing the best solution for the long-term profitability of your enterprise. Our approach to intralogistics is cross-industry and, as an active player in developing its future, we are committed to blazing new trails on behalf of our customers.
www.jungheinrich.ru

JL
JUVÉNAL

Juvénal

Founded in 2010, Juvénal is a boutique law firm focusing on international arbitration, commercial litigation as well as international commercial law. The firm advises and represents multinational corporations, small and medium-sized companies and private clients. Our experience and knowledge enables us to provide support to clients working both in France and internationally. We work in English, French, Russian and Italian.

At Juvénal, we have the benefit of a small and specialized team, but with the experience of a large firm. This allows us to work together in order to combine our resources and expertise, in order to maximize and complement our strengths best serve our clients.

We have experience in the areas of corporate governance, intellectual property, investment advisory, financial institutions, banking and project finance with specific sectorial expertise in natural resources, infrastructure, technology, media and telecommunications and real estate.

Our lawyers assist our clients in the creation, development and adjustment of complex corporate structures, in both domestic and international contexts, such as: corporate structures, company offices and branches or joint ventures. Our lawyers have developed significant experience in negotiating and drafting various types of international commercial contracts, including: sales and distribution contracts, franchise agreements, licensing and agency agreements.
www.juvenal-arbitration.com

MiKENOPA
We provide ★★★★★ services

Mikenopa

Mikenopa is an international technology services provider for both international hotel chains and individual hotels in the emerging markets of Central, Eastern and Southern Europe, Russia and CIS and APAC countries with offices in the Czech Republic, Greece, Russia, Singapore, Slovakia, Ukraine and Azerbaijan. Mikenopa provides, besides system integration, installation and services provision, also a well-appreciated 24/7 HelpLine support service for clients and hotel guests in English, Russian and Czech.
The main services and product portfolio include:

- High-Speed Internet Access solution Fast@Friendly Internet Access: Wired x Wi-Fi, charged or free, secured management meeting all IT requirements, conference operations and support, network printing feature HotelPrint
- Conference Services: by our Conference Butler® program as a unique service for event organizers and the banquet department of hotels. It comprises complete organisational and technical assistance for event preparation. Practically, this means ensuring that the sound, lighting, multimedia equipment and high-speed internet access precisely meet the needs and requirements of a given conference, and this right from the first contact to the final assessment after the event's end.
- Digital Signage DigiPanels: navigation and information system using LCD displays, tailor-made layout design.

www.mikenopa.com

M&TM freight

M&TM Freight

M&TM Freight group of companies is an international freight forwarder, providing multimodal solutions, both import and export services by road, air and sea with fully operational offices in UK, Germany, Russia.
It is an expert in:

- Relocation services
- Household goods shipments (local and international moves)
- Office moves
- Assistance in customs clearance
- Cargo storage
- Insurance of the forwarded goods up to the delivery destination in Russia
- Deliveries within Moscow
- Cargo deliveries to various regions in Russia
- Delivery worldwide.

M&TM Freight conducts its business under the BIFA Standard Trading Conditions 2005 A edition.
www.mtm-moving.ru

PETERS & PARTNERS LLC
LITIGATION ARBITRATION

Peters & Partners LLC

Peters & Partners LLC law firm specializes in litigation and arbitration, and is highly experienced in legal and tax consulting.

Oxana Peters, the Managing Partner, is an acknowledged litigation specialist, mentioned many times in the international ranking Legal 500 as one of the leading and most successful lawyers due to her high professionalism and unique track record.

The core competencies of Peters & Partners LLC are litigation of complex cases in such fields as Commercial, Corporate, Tax, Construction, Retail and Labour Law and defence in Criminal Law.

Peters & Partners LLC provides legal counsel to various international companies in Russian, English and German.

www.peters-partners.com

PIFAGOR DEVELOPMENT
ALIGNING WINDOWS OF OPPORTUNITY

Pifagor Development

The development of investment-grade Real Estate requires the combined experience and specific management skills of both international and local professionals.

The primary focus in developing any building is to understand the potential risks which subsequently enables one to prepare for the worst and plan for the best.

With 25 years' experience in the Design, Approval and Construction Supervision of a very wide range of international and local Real Estate projects, Adrian Salter, the founder of the well-known company MEP Engineering and now Pifagor Development, supports his clients from the initial stage of a land plot Best Use Analysis through the full Design & Approvals process with Construction Management services and final handover to the investor.

Our full-cycle Fee Development Service includes attracting Development Finance, loan monitoring supervision and, if required, the eventual sale of a cash-generating Real Estate asset to a strategic investor.

If you are seeking, or already possess, land on which you wish to construct Industrial, Commercial, Retail, Residential, Logistics, Hotel and Leisure projects, Pifagor Development can support and advise you, so please contact us to arrange an appointment to discuss your requirements.

www.pifagor-development.ru

RC RUFIL CONSULTING
Accounting & Management in Russia

RUFIL CONSULTING

RUFIL CONSULTING is an internationally operating German business consultancy with a focus on outsourcing of accounting, tax and legal advice, company formation and real estate brokerage in Moscow.

Here, Russian professional accountants as well as financial and tax experts work closely with German and international business consultants, lawyers, real estate agents and experts on quality management.

"We assist international companies in Russia with regard to accounting, tax declarations, legal advice, properties and finance. This allows us to create a better quality of life for our customers, employees and investors!" says Philipp Rowe, General Director and founder of RUFIL CONSULTING.

www.rufil-consulting.com

RUSMICE
EVENTS & MOTIVATION

Rusmice

For the first time a company with truly European management approach has opened in Russia for event organizers, meeting planners and other specialists in the meeting and event industry from all over the world.

Being a specialist on Russia and a European-minded company at the same time, we bring you unique knowledge and experience when planning your event, meeting or incentive in Russia.

Our goal is to exceed your expectations and bring you a service of excellence that will surprise you.

As a DMC, we know all the "hidden agendas" in Russia, understanding the Russian mentality. Whatever you are looking for, we are here to make it happen, from airport transfer, conference, board meeting or gala event to incentive program, product launch, sports event, fashion show and many more. Whether your group is 2 or 5000 persons, we will be equally happy to assist you and treat every detail with careful attention.

www.rusmice.com

SEBN.RU

Sebn.ru

The production and sale of wire harnesses for automotive industry.

Using the term "Bordnetz", we are talking about the complete cross-linking of electric and electronic components in one car which are used for the transmission of electrical power and signals.

The wire harness itself could be seen as the "electric veins" of the vehicle. Without these features, safety systems like ABS, ESP or user-friendly features like seat heating, electric window operation or climate control would not work.

www.sebn.com

STUPINO 1 INDUSTRIAL PARK

Stupino Pro LLC

Stupino Pro LLC is developing Stupino 1 Industrial Park in the City of Stupino, Moscow Region, providing ready-built solutions for SMEs and build-to-suit solutions for large companies.

www.industrialpark.org

The International School of Moscow

The International School of Moscow

The International School of Moscow was established in the 2006/2007 academic year in response to demand from the local international community. We are a part of the British Schools Foundation (BSF), with a group of 10 schools spanning 3 continents and 9 countries. The school has been growing rapidly and currently delivers the English National curriculum to over 550 students aged between 2 and 17 years on two sites: Krylatskoe and Rosinka.

While ISM is an academically-driven school that sees its pupils achieve the highest levels of academic attainment, we also provide a vibrant environment with a wide range of opportunities beyond the classroom.

The International School of Moscow is a member of COBIS (Council of British International Schools) and an accredited examination centre for the University of Cambridge and Edexcel Examination Board. We are also registered with the UK Department for Education, as well as being fully licensed by the Russian authorities.

www.internationalschool.ru

Tinkoff Online Insurance

Tinkoff Online Insurance

Tinkoff Online Insurance is a direct-to-customer provider of innovative online insurance products and services in Russia.

Tinkoff Online Insurance offers:

- Personal accident insurance
- Personal property insurance
- Travel insurance (to be launched Q2 2014)
- Motor Insurance (coming soon)

The company started offering personal accident insurance to TCS Bank's clients in September 2013. In February 2014, Tinkoff Online Insurance launched its customised insurance service to the mass market. The insurer leverages its vast tech expertise to underwrite and sell best-in-class online insurance products, offering convenient, fast and customer-friendly service.

www.tinkoffinsurance.ru

WINCOR NIXDORF

Wincor Nixdorf

Wincor Nixdorf is one of the leading suppliers of IT-solutions for banks and retail enterprises in the world. Wincor Nixdorf is represented in about 130 countries all over the world, 42 affiliates among them. Wincor Nixdorf is the leader in Europe and has the third biggest installation base of programmable electronic POS systems in the world and the second in the sphere of production and servicing of ATMs.

The head office and most of the productive capacities are located in Paderborn, Germany. The main production sites are in Paderborn and also in Singapore, Shanghai and Sao-Paolo.

The company is represented in Russia by the affiliate, Wincor Nixdorf LLC, which was established on 1 October 2007, and became the successor of the representative office which had operated in Russia since 2004.

Wincor Nixdorf in Russia is the member of Association of Russian Banks and the Union of German Economy in Russia.

www.wincor-nixdorf.com

Association of European Businesses (AEB)
Ul. Krasnoproletarskaya 16, bld. 3
127473 Moscow
Tel.: +7 (495) 234 27 64
Fax: +7 (495) 234 28 07
Email: info@aebrus.ru

Association of European Businesses

AEB MEMBERSHIP APPLICATION FORM / ЗАЯВЛЕНИЕ НА ЧЛЕНСТВО АЕБ

Please fill out the Application Form in CAPITAL letters, sign it and fax it: 234 28 07/
Заполните заявление печатными буквами и пришлите по факсу **234 28 07**
Calendar year / Календарный год: 2014 ☐ (Please check the appropriate box/boxes / Укажите соответствующий год/года)

Name of your AEB Contact / Ваше контактное лицо в АЕБ: _____

1. COMPANY / СВЕДЕНИЯ О КОМПАНИИ

Company Name in full, according to company charter. (Individual applicants: please indicate the company for which you work / Название компании в соответствии с уставом. (Для индивидуальных членов – название компании, в которой работает заявитель):

Legal Address (and Postal Address, if different from Legal Address) / Юридический и фактический адрес, если он отличается от юридического:	**INN / KPP** / ИНН/КПП:	
	Phone Number / Номер телефона:	**Fax Number** / Номер факса:
	Website Address / Страница в интернете:	

2. CATEGORY / КАТЕГОРИЯ :
THE CATEGORY IS DETERMINED ACCORDING TO THE COMPANY'S WORLD TURNOVER

	Please indicate your AEB Category / Отметьте категорию	**Company's world-wide turnover (euro per annum)** / Мировой оборот компании (евро в год)	**AEB Membership Fee /** Членский взнос в АЕБ
☐	**SPONSORSHIP** / Спонсорство	–	**10,000 euro/евро**
☐	**CATEGORY A** / Категория А	**>500 million/миллионов**	**6,300 euro/евро**
☐	**CATEGORY B** / Категория Б	**50–499 million/миллионов**	**3,800 euro/евро**
☐	**CATEGORY C** / Категория С	**1–49 million/миллионов**	**2,200 euro/евро**
☐	**CATEGORY D** / Категория Д	**<1 million/миллионов**	**800 euro/евро**
☐	**INDIVIDUAL (EU/EFTA citizens only)**/ Индивидуальное (только для граждан Евросоюза/ЕАСТ)	–	**800 euro/евро**

Any non-EU / non-EFTA Legal Entities applying to become Associate Members must be endorsed by two Ordinary Members (AEB members that are Legal Entities registered in an EU / EFTA member state or Individual Members – EU/EFTA citizens) in writing/
Заявление любого юридического лица из страны, не входящей в Евросоюз/ЕАСТ, и желающего стать членом АЕБ, должно быть письменно подтверждено двумя членами АЕБ (юридическими лицами, зарегистрированными в Евросоюзе/ЕАСТ, или индивидуальными членами – гражданами Евросоюза/ЕАСТ)

Individual AEB Membership is restricted to EU / EFTA member state citizens, who are not employed by a company registered in an EU / EFTA member state /
К рассмотрению принимаются заявления на индивидуальное членство от граждан Евросоюза/ЕАСТ, работающих в компаниях, страна происхождения которых не входит в Евросоюз/ЕАСТ

Please bear in mind that all applications are subject to the AEB Executive Board approval /
Все заявления утверждаются Правлением АЕБ

3. CONTACT PERSON / INDIVIDUAL MEMBER / КОНТАКТНОЕ ЛИЦО / ИНДИВИДУАЛЬНЫЙ ЧЛЕН

Title, First Name, Surname / Ф.И.О:	
Position in Company / Должность:	
E-mail Address / Адрес эл. почты:	

4. COUNTRY OF ORIGIN / СТРАНА ПРОИСХОЖДЕНИЯ	
A. For a company / Компаниям: **Please specify COMPANY'S country of origin** / Указать страну происхождения компании[1]	
or B. For an individual applicant / Индивидуальным заявителям: **Please specify the country, of which you hold CITIZENSHIP** / Указать гражданство	
Please note that only EU / EFTA members can serve on the Executive Board and the Council of National Representatives/ Внимание! В Совет национальных представителей и Правление могут быть избраны члены, представляющие страны Евросоюза или ЕАСТ. **Please fill in either A or B below**/ Заполните только графу А или В	

5. COMPANY DETAILS / ИНФОРМАЦИЯ О КОМПАНИИ			
Company present in Russia since: _____ / Компания присутствует на российском рынке с:_____ г.			
Company activities/ Деятельность компании	**Primary** / Основная:	**Secondary** / Второстепенная:	
Company turnover (euro)/ Оборот компании (в Евро)	**In Russia** / в России:	**Worldwide** / в мире:	☐ Please do not include this in the AEB Member Database/ Не включайте это в справочник АЕБ
Number of employees/ Количество сотрудников	**In Russia** / в России:	**Worldwide** / в мире:	☐ Please do not include this in the AEB Member Database/ Не включайте это в справочник АЕБ
Please briefly describe your company's activities (for inclusion in the AEB Database and in the AEB Newsletter) / Краткое описание деятельности Вашей компании (для включения в базу данных АЕБ и публикаций АЕБ)			

6. HOW DID YOU LEARN ABOUT THE AEB / КАК ВЫ УЗНАЛИ ОБ АЕБ?	
☐ **Personal Contact** / Личный контакт	☐ **Internet** / Интернет
☐ **Media** / СМИ	☐ **Event** / Мероприятие

Signature of Authorised Representative of Applicant Company / Подпись уполномоченного лица заявителя:

_____

_____
Date/Дата:

Signature of Authorised Representative of the AEB /
Подпись Руководителя АЕБ:

_____

_____
Date/Дата:

[1] Location of a parent company or of the main shareholder/ Местонахождение головной конторы или основного учредителя.

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Реклама

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