

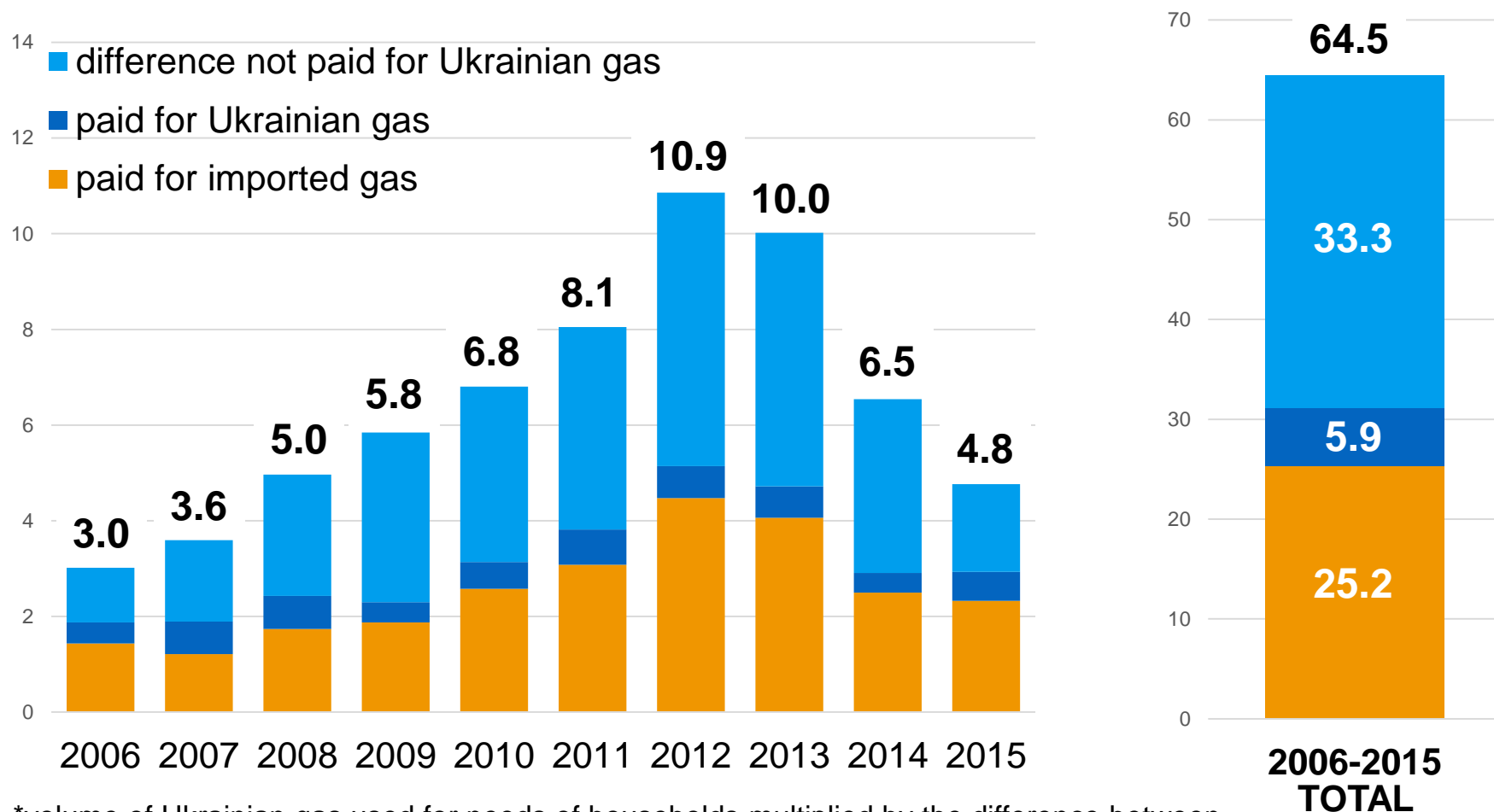
# HOW MUCH the “cheap” gas for households has actually cost

[naftogaz.com](http://naftogaz.com) | [naftogaz-europe.com](http://naftogaz-europe.com) | [@NaftogazUkraine](https://twitter.com/NaftogazUkraine)



# Cost of gas for households

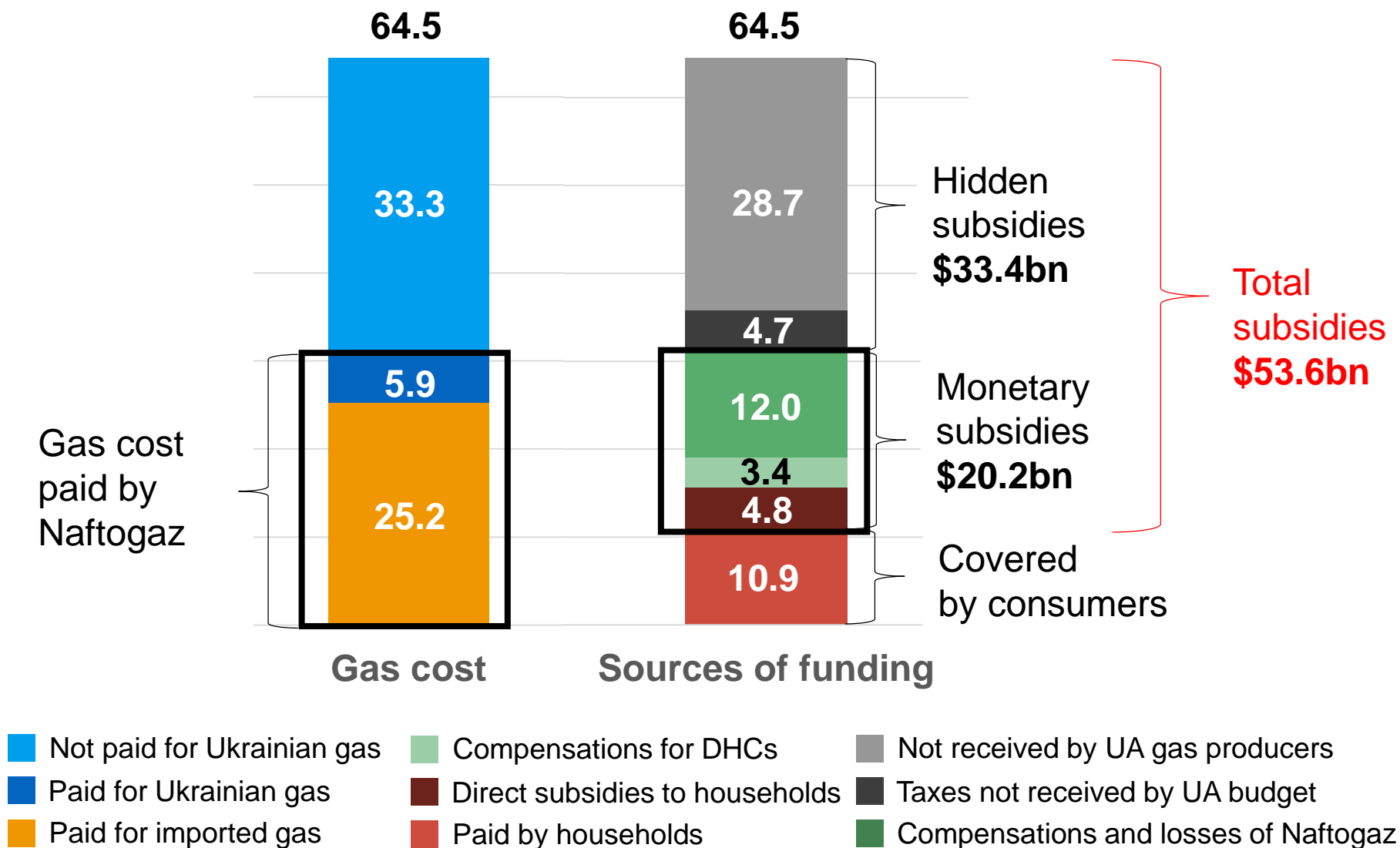
(incl. gas used in centralized heat production for households)  
2006-2015, \$bn



\*volume of Ukrainian gas used for needs of households multiplied by the difference between the weighted-average price of imported gas and the price paid by Naftogaz for Ukrainian gas. Naftogaz challenges in SCC the price of gas imported from Russia in 2010-2015

# Who covered the cost

of gas used for needs of households in 2006-2015, \$bn



# Losses caused by “cheap” gas policy

are more than Naftogaz deficit

State budget spending to cover subsidies and compensations: \$20bn

Additional state budget losses (forgone royalties): nearly \$5bn

Losses of state-owned gas producers: nearly \$29bn

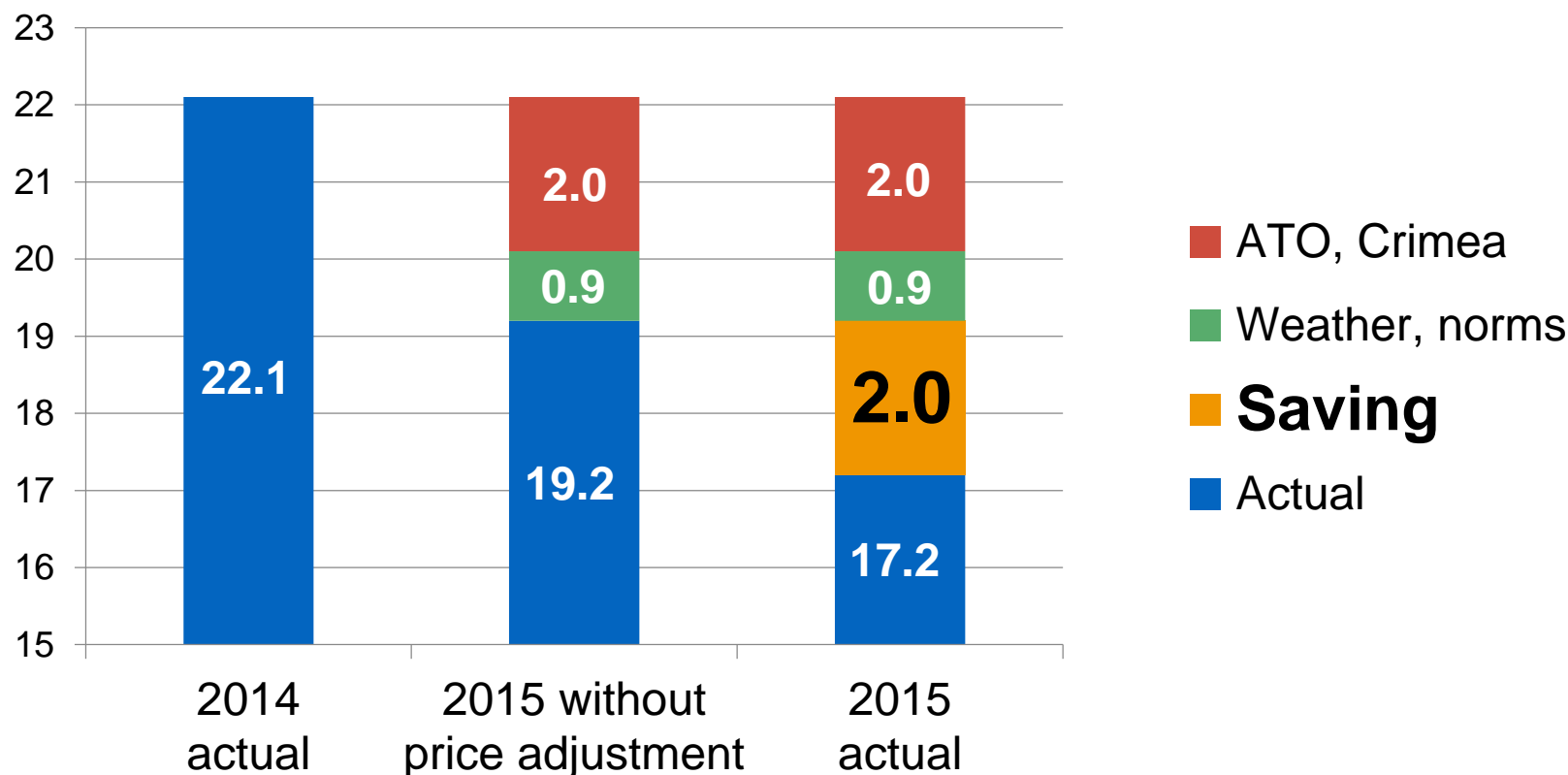
Additional losses of Naftogaz (debt servicing costs): nearly \$5bn

**Total losses of almost \$60bn  
over 10 years**

# Gas price adjustment in 2015: effect 1

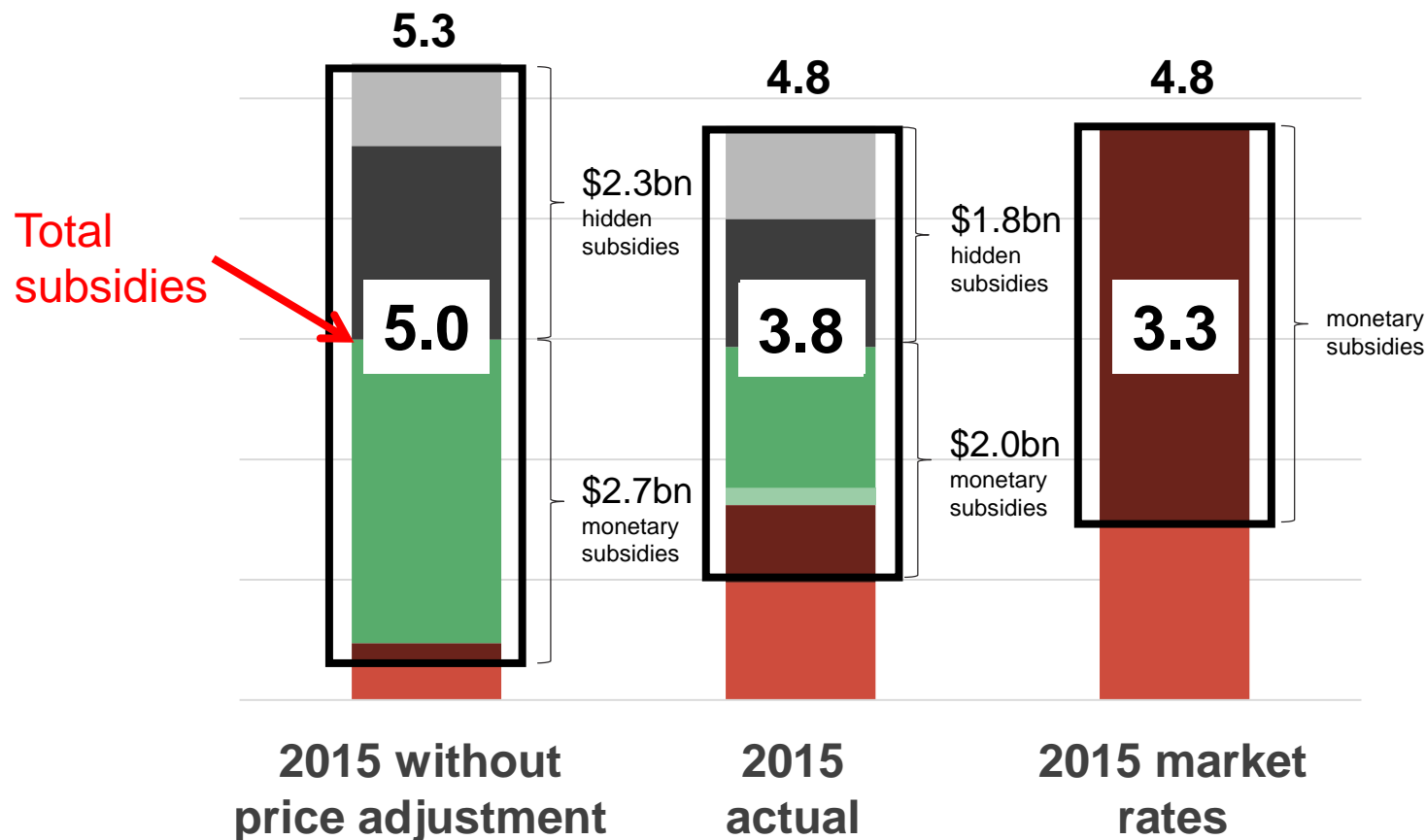
Less consumption, less imports

**Reduction in consumption of gas for needs of households**  
(estimate), bcm



# Gas price adjustment in 2015: effect 2

Less state budget spending (reduction in subsidies), \$bn

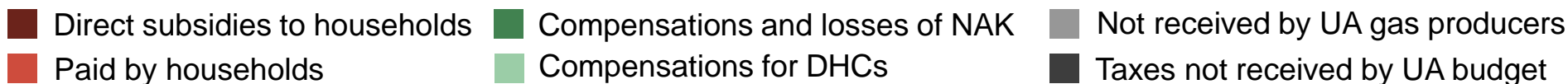


**Actual 2015 savings:**

**\$1.2bn**  
total subsidies

incl.

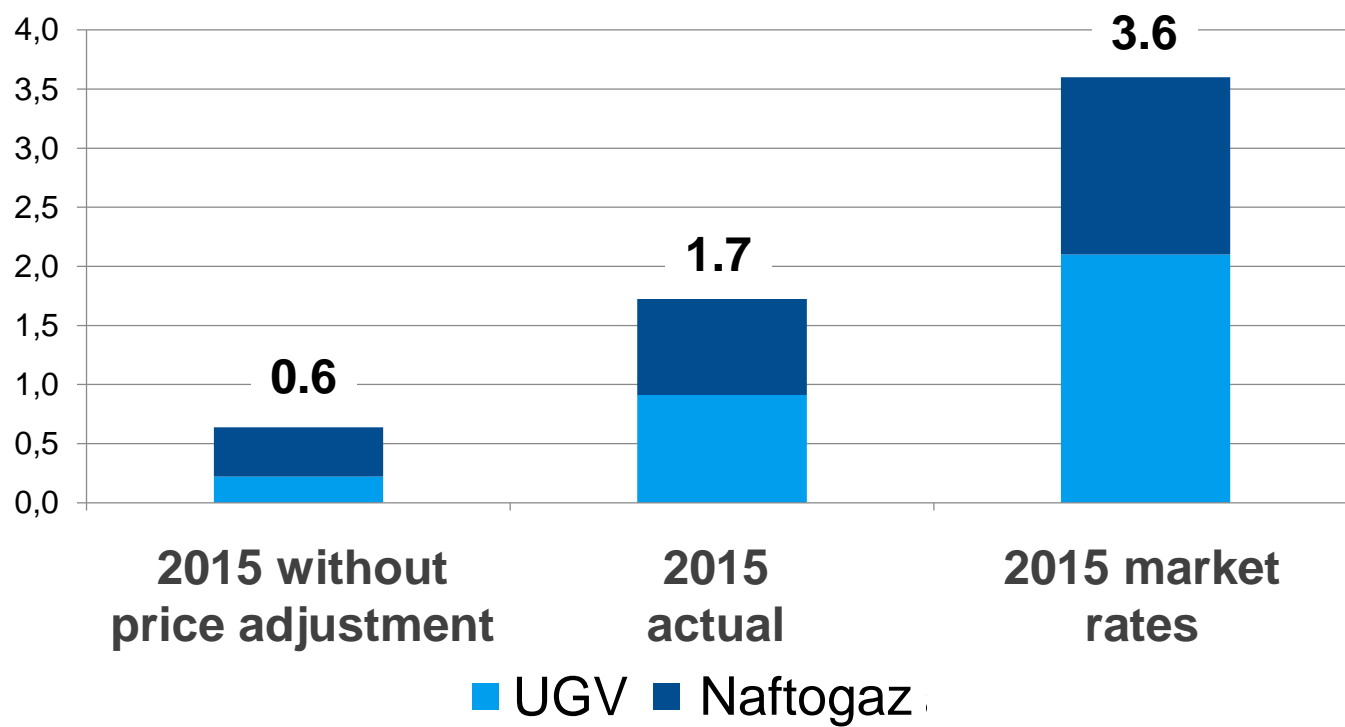
**\$0.7bn**  
monetary subsidies



# Price adjustment in 2015: effect 3

More state budget revenues (more taxes)

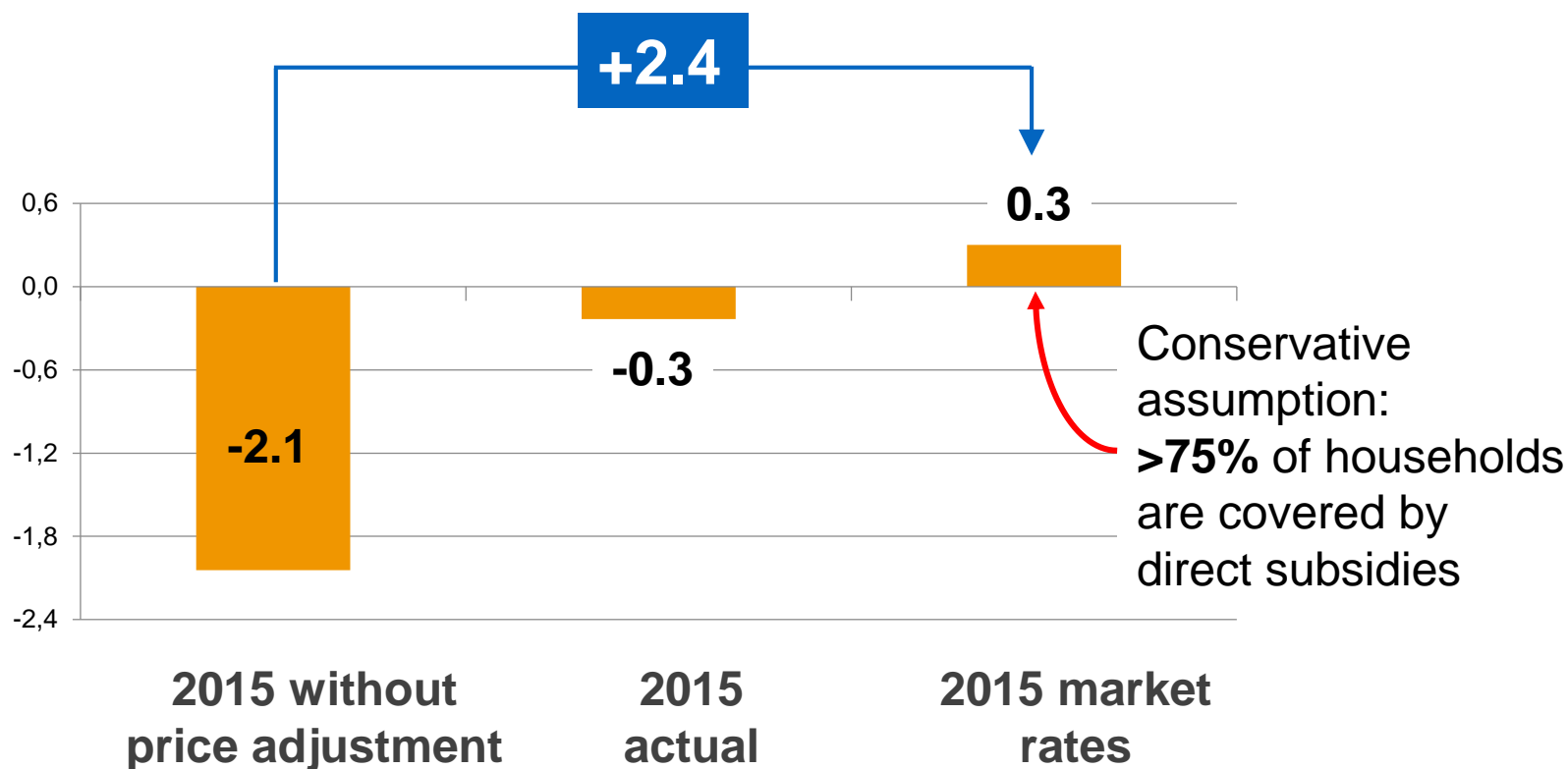
Taxes paid by Naftogaz and Ukrgezvydobvannya (UGV), \$bn



# Gas price adjustment in 2015

Net effect on state budget

State budget tax revenues from Naftogaz and UGV less monetary subsidies and compensations related to gas for households, \$bn



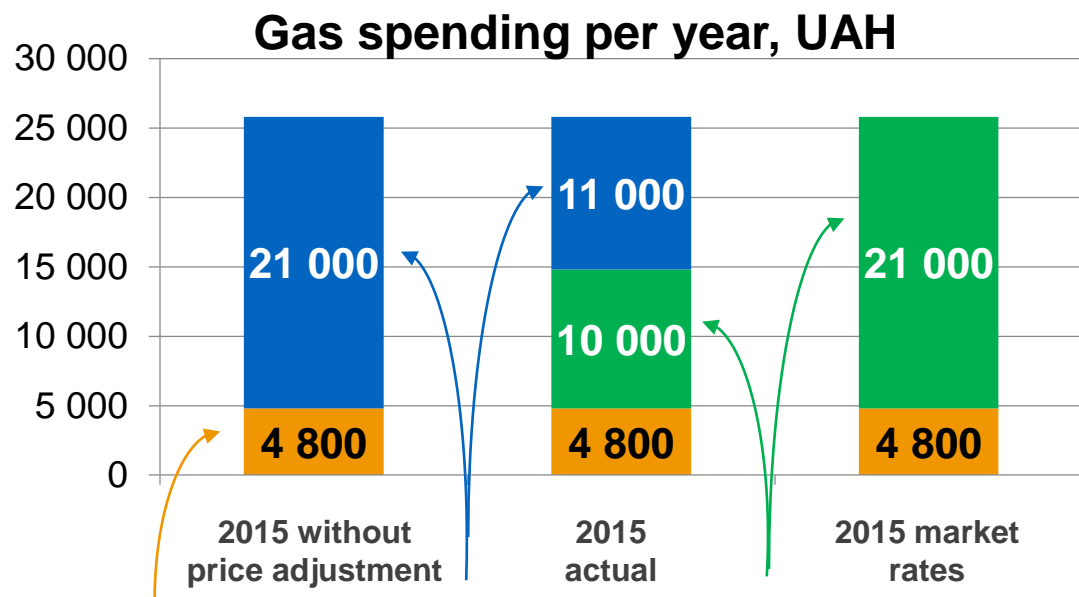


# Benefits from “cheap” gas for the average



## Assumptions

Heated area, sqm	90
Number of residents	4
<b>Gas consumption norms</b>	
Heating, cubic m/sqm	3,6
Cooking and heating water, cubic m/resident	9
<b>Estimated gas volume consumed per year, cubic m</b>	<b>2 700</b>



**Paid by the consumer**

**State support in the form of discounted gas\***

**State support in the form of direct subsidies\*\***

\*Granted to both wealthy and poor households

\*\*Granted only to poor households

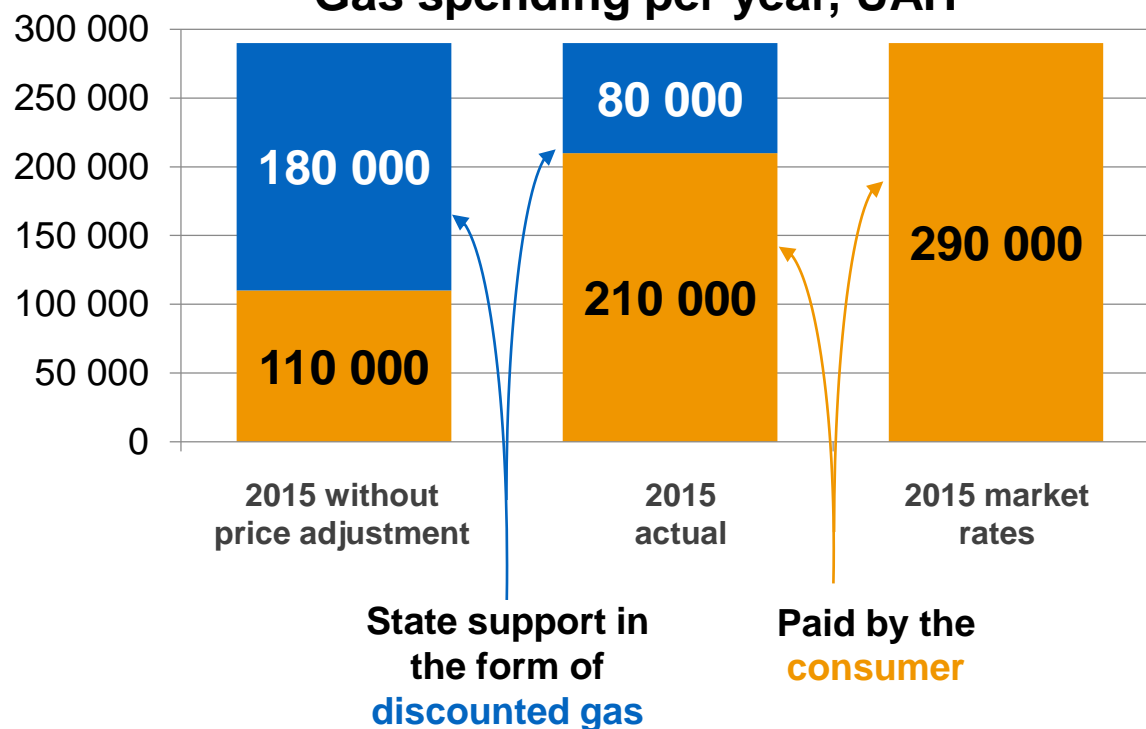
# Benefits from “cheap” gas for the wealthy



## Assumptions

Heated area, sqm	588
Number of residents	6
<b>Gas consumption norms</b>	
Heating, cubic m/1 sqm	7
Cooking and heating water, cubic m/1 resident	18
<b>Estimated gas volume consumed per year, cubic m</b>	<b>30 108</b>

## Gas spending per year, UAH



# The wealthy benefit more from “cheap” gas

The more gas used – the more benefit received from the state budget

