

Edition 3 • February 2010

# IGNITION

Magazine



## INSIDE THIS ISSUE:

- **Gazprom Enters UK Power Market**
- **Government CRC Scheme**
- **Carbon Risk Management**



**Welcome to our latest edition of Ignition. I wish you a very prosperous and healthy New Year. In this issue you will find more about our entry into the UK power market, the implications of the Carbon Reduction Commitment, ways to manage carbon, and more.**



The energy market continues to be a very exciting and dynamic environment. Last year, we faced many challenges as the world moved into recession. This had a direct effect on energy prices and how we do business. Despite the commercial environment over the past 12 months our business has moved forward at pace. We are proud of our success in 2009 and look forward to more in 2010. We have grown our gas business in the UK and Ireland and now supply 4 percent of the I&C market. We have

**WE HAVE GROWN OUR GAS BUSINESS IN THE UK AND IRELAND AND NOW SUPPLY 4 PERCENT OF THE I&C MARKET**

developed many new products with our customers and believe that our

flexibility and innovation will allow us to handle the volatile market that is ahead of us as we continue to grow. Stability and Customer Service are key factors in our growth and we are focused to make sure we maintain our high standards.

We are no longer just a Gas Supplier, we have entered the Power market and 2010 will see us grow this side of the business. Electricity is a highly competitive market and GM&TR is ready to offer the same service that we provide to gas customers, to electricity customers. Our systems are built on our core principles of service, price and flexibility, and we are dedicated to offering this across both commodities. Although the Electricity market is new to GM&TR, it is not to the highly dedicated team with over 100 years combined experience in the power market. As with Gas, we will work with our customers to build products that are innovative, and flexible. Carbon continues to grow and our new flexible product, which is the only one on the market, has been received well by customers and is considered to be innovative and dynamic. The increase in customers signing up to this deal demonstrates its success. We are committed to carbon business, and can offer a solution tailored to your requirements.

2010 sees our vision of creating Energy Solutions come to fruition. As a multi-commodity Supplier we are able to create packages that not only give you the best products but in the most cost-effective manner. Managing energy is a necessity in

today's world and GM&TR are the leaders in developing products and services that assist customers in their desire for energy reduction and management. Our unique service is combining commodity, energy management, AMR, and infrastructure development to offer the best solution for the customer. Having a broader product line has also allowed us to develop our pan-European strategy and Global reach. Working with customers around Europe and the Globe has enabled us to create the products and services they require; at the same time, these products include global technologies that can be used to meet your CRC

**THE TECHNOLOGIES WE ARE USING ARE GLOBAL AND CAN BE IMPLEMENTED AROUND THE WORLD**

requirements here in the UK. We are the only supplier that controls all the elements of our product offering, including the technology. We look forward to bringing our services to you.

A big thank you for your continued support and we look forward to working with you throughout 2010, which I know will be a successful year for us all.

**Jon Feingold  
Managing Director  
Gazprom Marketing & Trading Retail**



# GAZPROM ENTERS POWER MARKET

It is only a few months since Gazprom Marketing & Trading Retail Ltd (GM&TR) entered the UK's retail power market, but the business is off to a flying start. With so many opportunities in today's energy markets, we are certain the next five years will see growth in many directions. The business started trading on 18 May 2009 and the power team have already built a customer list supplying over 1000 premises including leading brands such as the De Vere Hotel Group, Hertz and Stannah Stairlifts, as well as a host of smaller businesses, including high street shops, historic houses and offices.

Our power business shares the unique sales platform and trading capability that helped to build such a successful gas retail arm, giving us access to brokers and partners, with whom GM&TR enjoys a very strong reputation and being part of Gazprom, one of the world's leading energy brands, is also a huge benefit to the growth of our business.

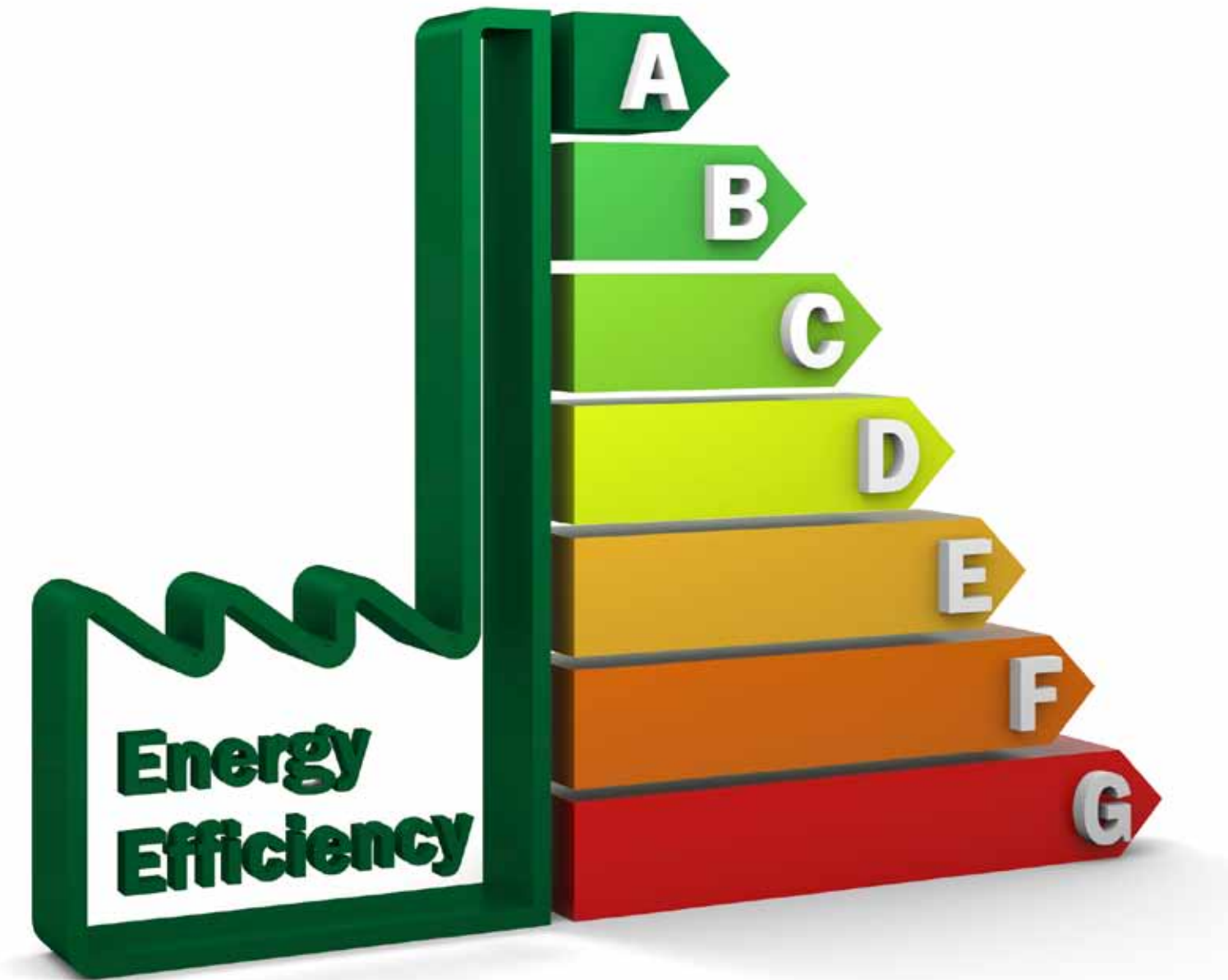
Although Gazprom is best known as a gas company, we have had huge interest and support from the power market, where we are bringing much needed competition. The growth of GM&T, our parent, and its positioning as an innovative energy company have

undoubtedly helped us to launch the power retail business successfully in the market.

We have a very ambitious business plan over the coming years and our Trading capability and market access will enable us to build a scalable business model. We want to be more than simply a power retailer. There are many opportunities in today's energy industry – for example, the growth of green energy and smart metering – providing great niche opportunities from which we are ideally positioned to benefit and provide great products to our customers.

Then, there is the wider vision of possibilities in the vertical integration of generation, supply and metering, and to the future in a world of smart grids and genuinely intelligent energy usage. These may be early days for us, but we have a lot of ambition. We are also keen to follow in the footsteps of GM&TR's gas retail experts in the search for new geographical markets as they open up to competition. We are selling gas in the UK, Ireland, France, and looking closely at other countries. There is no reason why we can't also supply retail electricity to those markets, and beyond.

# ENERGY EFFICIENCY SOLUTIONS



## GM&TR'S EXPANSION OF ENERGY SERVICES

GM&TR Energy Services was established to provide a wide range of Energy Solutions to meet ever-increasing customer requirements. The business will initially focus on the provision of AMR services, but is developing energy efficiency and other advisory services to support customers' needs. These services can be provided through our current portfolio, or on an independent basis if the customer is not supplied by GM&TR.



## WHY GAZPROM MARKETING & TRADING?

GM&TR Energy Services brings together a team with many years experience of all aspects of the gas industry including sales, technical services, energy trading and energy management. As such, we have unrivalled knowledge of how your gas is purchased and delivered, and are able to use this expertise to your benefit. Thanks to our unique position in the supply chain, you can be sure that all of our services will be carried out professionally.

We manage thousands of pieces of data every day, and our job is to translate this into information that is valuable to your business. But we don't just offer simple quantitative evaluations of this data; in effect, we bring your meter to life in order to identify energy management opportunities that will increase efficiency and reliability, and so help you save on energy costs and reduce carbon emissions.

## WHAT SERVICES DO GM&TR ENERGY SERVICES OFFER?

### GAS AND ELECTRICITY SITEWORKS



GM&TR Energy Services' experienced and knowledgeable Site Services team are able to offer a total project management service for all commercial, industrial and domestic gas supply projects. We can offer you the following products/services:

- Installation and connection of new gas services including meter(s) and meter housing(s) if required
- Guaranteed meter pulse service to facilitate AMR installation
- Upgrading and relocation of existing gas services or meters
- Installation of new gas meters (subject to supply contract)
- Gas service/meter upgrade or disconnection
- Gas meter testing
- Gas pressure change

### GAS AUTOMATED METER READING (AMR) ELECTRICITY SMART METERING



Our AMR and Smart Metering services provide access to half-hourly, hourly, daily, weekly or monthly data, allowing you to analyse and understand your gas usage throughout any period.

By installing AMR you have secure access to historical data and invoices online. Copy or urgent invoices can be accessed at your convenience by simply logging onto our web page.

### DISPLAY ENERGY CERTIFICATES (DECs) & ENERGY PERFORMANCE CERTIFICATES (EPCs)



Gazprom Marketing & Trading can provide CIBSE-accredited Display Energy Certificates and Advisory Reports. These are a legal requirement for all public buildings over 1000m<sup>2</sup> that are frequently visited by large numbers of the public. To find out if your building needs a DEC and AR contact us and speak to one of our advisers.

### CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME (CRC) GUIDANCE AND MANAGEMENT



# THE CARBON REDUCTION COMMITMENT ENERGY EFFICIENCY SCHEME

## WHAT IS THE CRC ENERGY EFFICIENCY SCHEME?

The CRC Energy Efficiency Scheme (formerly known as the Carbon Reduction Commitment) is the UK's mandatory climate-change and energy-saving scheme, due to start in April 2010. It is central to the UK's strategy for improving energy efficiency and reducing carbon dioxide (CO<sub>2</sub>) emissions, as set out in the Climate Change Act 2008.

It has been designed to raise awareness in large organisations, especially at senior level and encourage changes in behaviour and infrastructure. The scheme's amended title serves to better reflect the CRC's focus on increasing energy efficiency.

## WHO WILL BE AFFECTED?

The initial phase of the Carbon Reduction Commitment will be compulsory for organisations that consume over 6,000 MWh of half-hourly metered electricity during the period from January 2008 to December 2008.

The Carbon Reduction Commitment will cover both public and private-sector organisations. At present, the carbon reduction scheme is expected to affect approximately 5,000 organisations in the UK.

In doing so, it is anticipated that the scheme will affect approximately 25% of the total business-sector emissions within the UK.

The scheme will work in tandem with the existing European Union Emissions Trading Scheme and Climate Change Agreements.

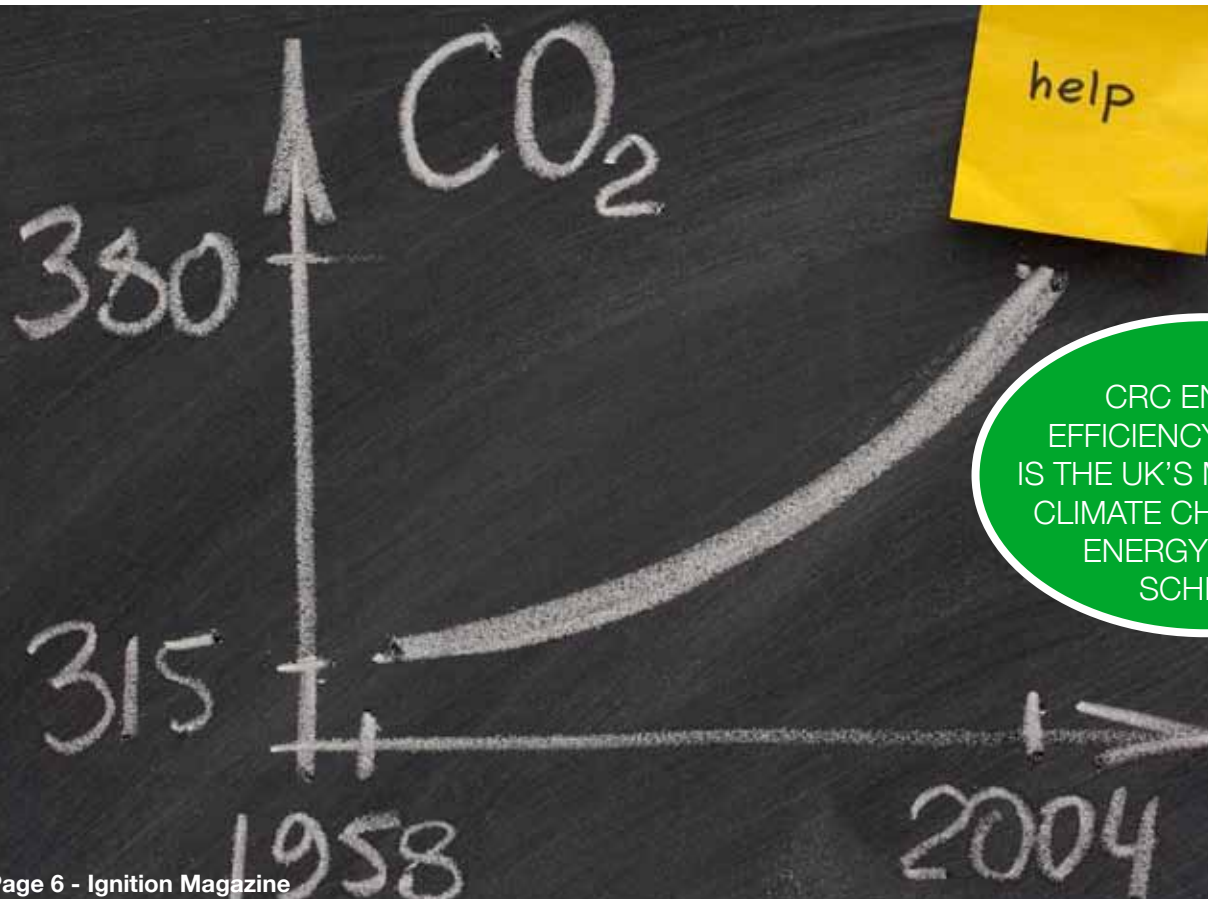
As a result, where emissions have been captured by the EUETS and CCA, these emissions will not be captured by the CRC. In essence, the CRC is targeted at low energy-intensive users.

## HOW CAN GM&TR GLOBAL ENERGY SOLUTIONS HELP?

GM&TR Global Energy Solutions can provide a range of services to ensure full compliance with the CRC Energy Efficiency Scheme's requirements. Rather than offering a blanket 'Total CRC Management' package, we can offer a range of services tailored to fit any organisation. Starting from confirmation of inclusion, all the way up to a much more intensive management process, we can offer liability assessments, analyse risks and opportunities and ensure compliance. We appreciate that every organisation is different and have reflected this in the services we can offer.

We will take a detailed look at the financial impact imposed on organisations through the scheme, and the potential effect on marketing and brand image your league-table ranking can have.

For more information on how we can help with you CRC Energy Efficiency Scheme requirements, please call our designated Energy Services Team and we will be happy to help. We can be contacted on 0845 230 9099 or by email: [energy.services@gazprom-mt.com](mailto:energy.services@gazprom-mt.com).





**Matt Armstrong, Senior Buyer of Springfield Fuels, commented, "GM&TR have provided excellent support from the initial warning of a possible interruption, constant communication throughout the interruption period and sourcing additional fuel supplies to ensure our business is kept running."**

## **BIG FREEZE START TO WINTER CAUSES INTERRUPTIONS**

In early January 2010, the UK encountered the worst winter weather for 30 years and Industrial and Commercial users saw their gas supplies interrupted. In order to safeguard supply during times of heavy demand on the system, the transporters call on sites that can turn off their gas and, in return, they receive a reduction in their transportation cost. There are a number of these sites around the country, and over recent years the majority have not been interrupted, as the system has generally been oversupplied and the winters fairly mild.

### **What should you be aware of if your site is classified as interruptible?**

- Be ready to be interrupted and ensure that the stakeholders around your business are aware of their responsibilities
- Ensure that you keep your supplier updated of your emergency contact details so they can contact you in the even of an interruption
- Be ready to be asked to interrupt your supply with a minimum of 4 hours notice
- Ensure that you have enough alternative fuel if you need to maintain 'business as usual' during the interruption period
- If you fail to interrupt your supply you may be liable for heavy financial penalties and physical disconnection by the transporters

GM&TR has a number of interruptible customers and we have been liaising closely with them to ensure things go as smoothly as possible; for some customers we are sourcing alternative fuel supplies to help them through this period.

## **GM&T CELEBRATES 10TH BIRTHDAY**

2009 marks the 10th Anniversary of Gazprom's entry into the UK energy market. Today, Gazprom Marketing & Trading is a leading global energy trader and marketer, with its HQ in Kingston upon Thames and subsidiaries globally. The business consists of Trading, Origination, Carbon, LNG and Retail. In 2006, GM&T Retail was born and since then has grown rapidly.

In May, to mark the 10th Birthday, Counterparties and customers joined GM&T's management for a glittering celebration dinner to mark our 10th year in the UK. In keeping with our birthday theme, the gala dinner was held in London's historic Lancaster House, a former royal residence close to Buckingham Palace.

Guests enjoyed warm hospitality and were thanked for their support over the last decade. In true GM&T style, they were treated to a memorable evening, and each was presented with a specially commissioned book detailing our company's journey since 1999, when Managing Director Andrey Mikhalev first opened a small office in Richmond.

## **ELECTRICITY SITWORKS**

2009 was the year in which GM&TR entered the electricity market in the UK. To enhance our electricity supply offering, we are delighted to announce that our in-house Energy Services Team is now able to provide quotes and co-ordination of electricity siteworks nationwide.

Our team can assist you with meter only, or meter and cabling installations. We provide full co-ordination of works which gives you peace of mind, knowing that works will progress smoothly and quickly. Electricity siteworks is the latest addition to our suite of product offerings which also includes gas siteworks, Automatic Meter Reading (AMR) and more.



## **GAZPROM MARKETING & TRADING USA LAUNCHES NORTH AMERICAN NATURAL GAS BUSINESS**

Gazprom Marketing & Trading USA, Inc. announced in October that it had begun the trading and marketing of natural gas in North America, marking the first entry by a Gazprom Group company in the United States.

“The development of new markets and products is key to Gazprom Group’s global energy strategy. We have now achieved our goal of bringing the world’s largest gas company into the world’s largest gas market,” said Vitaly Vasiliev, Chief Executive Officer of Gazprom Marketing and Trading Limited in the United Kingdom. “Our U.S. affiliate is now off and running, and we look forward to significant growth and profitability from our expanding geographical base.”

Gazprom Marketing & Trading USA has acquired physical gas supplies from counterparties, at designated pipeline hubs across North America, by executing a number of innovative, long-term gas-swap transactions that have allowed it to quickly gain a substantial physical gas-supply position in North America. “These gas swaps have given us a strong supply foundation to build our marketing and trading operations,” said John Hattenberger, President of Gazprom Marketing & Trading USA. “We have already signed deals giving us more than 350 million cubic feet per day of physical supplies at several different locations all across the U.S., for the next three to seven years. Our goal now is to grow from that position rapidly and expand into all major North American markets.”

Gazprom Marketing & Trading USA will also market liquefied natural gas (LNG), exported to North America by its Gazprom Group affiliates. In May 2009, the company signed long-term agreements enabling it to buy LNG from the Sakhalin-2 LNG plant, off Russia’s Pacific coast, which started production in Q1 2009, regasify the LNG in a facility in Baja California, Mexico, transport it by pipeline to southern California, and sell natural gas into southwestern U.S. markets. The company also plans to import LNG into the USA from the giant Shtokman LNG projects in the Arctic.

## **EU DISAPPOINTED WITH COPENHAGEN TALKS**

Ministers expressed disappointment with the results of Copenhagen which matched neither the expectations nor the ambitions of the EU. Talks ended with an accord (a non-binding agreement), instead of a political agreement backed by all 193 nations. However, for the first time, the world’s major emitting countries – including China and India – have committed to specific actions to cut greenhouse gas pollution. The conference ‘took note of’ the Copenhagen Accord, which was drafted by the US and a handful of advanced developing nations.

The agreement requires developing countries to report their emissions, as well as their efforts to curb their output, to the UN every two years. The Copenhagen Accord was drafted by 28 countries including the US and several major developing economies, but it was not formally signed off, as at least six countries objected to it. Despite the setback, the EU still wants to see a legally-binding agreement in force in 2013 and will build on the Kyoto protocol. The EU will also continue to use its conditional offer to move to a 30 percent reduction compared to 1990 levels by 2020, as a lever to increase other parties’ pledges. The accord mentions a limited increase in global



temperatures to a maximum of 2°C, and gives rich and poor nations a January 31st deadline to submit emission reduction targets or actions to cut emissions. These will only have informational status in the UN system and will not be binding. Poor countries agreeing to the reporting and verification of their emissions was critical to the US administration agreeing to pledge financing to poor countries to help them adapt to climate change. Meetings will continue over the next year, with the aim of sealing a global climate treaty at the next summit in Mexico in November.



## DID YOU KNOW?

**1** If you are part of the EU ETS, you can surrender CER credits which trade at a discount to EUAs by swapping credits you can create an immediate financial payment.

**2** If you are short on EU ETS credits, you can buy CERs which are cheaper and will save your company money.

# RISK MANAGING YOUR CARBON

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*We have been flexibly managing our power & gas positions for a number of years, GM&TR came to us in 2008 and highlighted carbon commercial opportunities which we took advantage of. Since then we have been using GM&TR's Flexible Carbon product in order to return additional value to our business.*

”

**Guy Newsam, General  
Manager at Muntons  
Plc**



Global carbon emissions have become an integral part of industry's cost base in a similar way to other energy commodities bought and sold in the market. Gazprom Marketing & Trading see significant potential to generate carbon credits in Russia, which will compliment its downstream marketing activities. Gazprom Marketing & Trading Retail works with its clients to develop various contracting options to allow them to manage this valuable asset, that they hold, in our increasingly volatile market. Clients in the European Union Energy Trading Scheme (EU-ETS) must surrender credits in line with emissions for the year. In future years the number of credits allocated to an installation will be reduced, therefore the installation needs to reduce its emissions or buy additional credits in the market.

We worked with our clients during 2009 both to extract additional

value from the credits, and to assist in balancing accounts when surrendering. A significant number have swapped EUA credits for CERs, releasing much-needed cash into their businesses during the recession. We have developed various options to swap credits for the full phase-II period, which can release funds either immediately, or in 2012, depending upon our clients' requirements.

During last year, we released our new flexible carbon product whose operation is similar to the way customers risk manage power and gas positions. This allows them to access all the wholesale products and indexes within the market, and fix and unfix positions before each year of balancing. We also offer a scheme in which clients can make the credits work for them by lending to GM&TR for a pre-determined period, we will pay interest on this borrowing.

**Welcome to Gazprom Marketing & Trading Retail**

Gazprom Marketing & Trading Retail is a European energy supplier to businesses. Built on a customer focused platform, Gazprom Marketing & Trading Retail's experience and innovation has positioned us as a trusted partner across the energy markets.

**OUR AMBITION IS YOUR ENERGY**

**What Can We Do For You?**

- Get a Quote
- Advice & Queries
- Submit Your Readings
- View Your Account Online

Click here to download our introductory brochure

Click here to visit our parent company, Gazprom Marketing & Trading



**Gas**

We can supply your business with Gas. Click here to find out more.



**Power**

New for 2009. We can now supply your business with Power. Click for information.



**Carbon**

Gazprom leads the way in Carbon Solutions from around the globe.



**Energy Services**

Need a gas meter installed or removed? We are here to help.



**AMR (Automated Meter Reading)**

No more estimated bills when you get one of our AMR meters installed.



**Europe**

We supply utilities to other European countries. Click here to find out more.



**Your Account**

Manage your accounts online. Click here to sign up and logon.



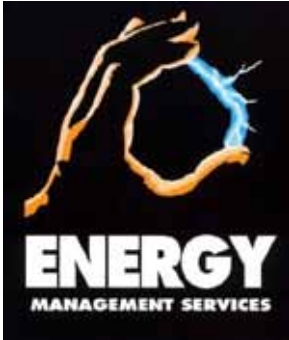
**GM&TR'S  
NEW WEB  
SITE**

In recent months the GM&TR web site has been treated to a face lift. The new-look site features a vast array of information about our comprehensive range of services. Navigate to our site to access all the information you require about our products including Gas, Power, Carbon, Energy Services including Siteworks and Automated Meter Reading (AMR), and our presence in European countries. Our site includes a useful range of resources including forms, what to do in a gas emergency, and much more. You can also get access to your own account where you can view AMR data of your energy usage. Please visit our web site at:

**www.gazpromretail.com**



# A DEMANDING CONTRACT MADE EASY



Energy Management Services (EMS) is a business unit of the North West Ambulance Service NHS Trust, and provides a comprehensive energy management service to over seventy organisations. The majority of the organisations in the EMS portfolio are NHS Trusts, but also included are universities, together with

commercial and industrial organisations from the private sector. EMS manage large flexible gas and electricity portfolios and all purchases of gas and electricity are made by EMS on behalf of the organisations, under authority delegated to EMS. Exposure to risk is managed in a manner appropriate to the public sector. The professional engineering staff of EMS provide technical advice and support on all matters relating to energy utilisation and procurement.

Energy Management Services moved its large flexible gas portfolio (50 million therms p.a.) to Gazprom Marketing & Trading Retail Ltd (GM&TR) in April 2009. The portfolio consists of 27 interruptible sites, over 200 firm sites with an AQ above 25,000 therms, and over 600 firm sites with an AQ above 2,500 but below 25,000 therms. Most of the portfolio is made up of NHS Trusts. Derek McCulloch, the Director of Energy Management Services, said, "We worked extremely hard along with the Account Management Team of GM&TR to achieve outstanding success in the transfer of our portfolio. Site transfer was very smooth and 99% of sites transferred on time."

When asked about ongoing contract management, Derek replied, "GM&TR are extremely co-operative and flexible, and demonstrate a refreshing willingness to fully consider any request that may enhance the effective operation and development of our contract. On the rare occasion when there has been a billing error, revised invoices have been quickly produced and GM&TR has worked effectively with us on any queries that arise to ensure quick resolution is achieved. The purchase of gas is also made very straightforward by the trading contacts at GM&TR and the addition and removal of sites is well managed."

**"GM&TR HAS RISEN TO THE CHALLENGE OF A DEMANDING SUPPLY CONTRACT"**

GM&TR is currently managing a programme to fit Automated Meter Reading (AMR) devices to all metering points in the EMS flexible portfolio. The programme is progressing well, and is expected to make contract administration simpler through the issuing of invoices based on actual end-of-month readings.

A number of our sites in the EMS portfolio have EU ETS responsibilities and GM&TR have been working with them so they can optimise their positions.

To summarise, Derek said, "Overall, EMS is very pleased with the way GM&TR has risen to the challenge of a demanding supply contract and we look forward to continuing and developing our professional relationship with GM&TR to the benefit of the Customers supplied through our flexible portfolio."



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Designed by Richard Hearne

**OUR AMBITION IS YOUR ENERGY**

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