

CABINET OF MINISTERS OF UKRAINE

RESOLUTION

of 8 December 2006 No. 1697

Kyiv

On measures to further improve the mechanism for providing natural gas to domestic consumers

With the view to ensure reliable supply of natural gas to the population, communal heat energy enterprises and budget organizations and institutions as well as to encourage economic use of gas resources, the Cabinet of Ministers of Ukraine resolves:

1. To approve the Temporary procedure for setting retail prices of natural gas for needs of the population that is attached.

1. This Temporary procedure shall stipulate the mechanism for settlement and approval of retail prices of natural gas supplied to the population (the “natural gas”).

2. Retail prices of natural gas shall be differentiated depending:

on the annual amount of its consumption by the population;

on whether or not natural gas meters are installed.

If natural gas meters are not installed, their price of natural gas shall be increased by 10 per cent.

3. The terms used in this Temporary procedure shall have the following meanings:

general tariff for natural gas transportation services shall mean amount of tariff for natural gas transportation services via trunk pipelines and average weighted tariff for its transportation services via distribution pipelines;

retail price of natural gas shall mean the price paid by the population for natural gas depending on its consumption volume;

average sale price of natural gas shall mean the calculated sale price of natural gas with regard to the tariff for transportation services, distribution and supplies as well as taxes and duties;

average weighted tariff for natural gas transportation services via distribution pipelines shall mean the tariff calculated based on tariffs for natural gas transportation services via distribution pipelines and the annual volume of its transportation;

average weighted tariff for natural gas supply shall mean the tariff calculated based on tariffs for natural gas supply and the annual volume of its supply;

price of natural gas as the goods shall mean the average weighted price of natural gas extracted by domestic enterprises in the territory of Ukraine (the “domestically-extracted natural gas”) and other natural gas resources of the National Joint-Stock Company “Naftogaz



8. The National Commission on Regulation of Energy of Ukraine shall establish retail prices of natural gas, to which end:

1) it shall analyze the following materials submitted by the National Joint-Stock Company "Naftogaz Ukrainy":

the calculation of the price of domestically-extracted natural gas with a justification of its components (in particular, the full cost of natural gas extraction, capital expenditures and all obligatory payments to the budget) and an explanatory note for the calculation period prepared with regard to the reported data for the previous year in general for the Company and with the breakdown by gas extraction enterprises;

justification of costs related to the sale of natural gas and their components;

analytical and statistical data on consumption of natural gas by the population, the breakdown of general volumes by use structure and group by annual volumes of consumption, the use of gas meters in the calculation period and the relevant reports for the prior year;

proposals regarding the differentiation of retail prices of natural gas with regard to the requirements of paragraphs 2 and 6 of this Temporary procedure;

2) based on the analyses, it shall calculate retail prices of natural gas, obtain the approval of the Ministry of Economy and make the decision approving the said prices in accordance with the procedure stipulated by Rules of Work of the National Commission on Regulation of Energy.

9. The review of retail prices of natural gas shall be carried out by the National Commission on Regulation of Energy of Ukraine both on its own initiative and following the submission

2) passages three, five and ~~sh~~all have the following language:

"subject to approval by the Mini

The sale of natural gas for needs of the said enterprises shall be carried out by the subsidiary "Gaz Ukrainy" and the subsidiary "Gaz-Teplo" of the National Joint-Stock Company "Naftogaz Ukrainy," by business subjects holding license to supply natural gas at regulated tariff, at prices not exceeding the maximum natural gas price levels established by the Cabinet of Minister of Ukraine";

in subparagraph 5:

passage one shall have the following language:

"5) all categories of consumers, in particular, institutions and organizations financed from the state and local budgets except those specified in paragraphs 1 and 2 of paragraph 2 of this Procedure – from gas resources";

passage six shall be deleted;

2) paragraph 7 shall be deleted;

3) passage two of paragraph 4 of the Procedure for providing natural gas to consumers approved by the said resolution shall have the following language:

"Gas-extracting enterprises of the National Joint-Stock Company "Naftogaz Ukrainy," the National Joint-Stock Company "Nadra Ukrainy," Open Joint-Stock Company "Ukrnafta" and other business companies, whose charter funds have state participation in excess of 50 per cent as well as business companies, whose 50 per cent of stocks (shares) have been contributed to charter funds of other business companies having the state as their majority shareholder as well as the state joint-stock company "Chornomornaftogaz" shall sell natural gas they extract (including that extracted in the course of performing joint activity agreements) to the National Joint-Stock Company "Naftogaz Ukrainy" only, which will sell the indicated volumes of natural gas to business subjects holding licenses to supply natural gas at regulated tariff for needs of the population."

4. In the Resolution of the Cabinet of Minister of Ukraine of 29 April 2006 No. 605 "Certain issues of activities of the National Joint-Stock Company "Naftogaz Ukrainy" (Official Bulletin of Ukraine, 2006, No. 18, page 1349):

paragraph 1 shall have the following language:

"1. To establish, from 1 January 2007, natural gas maximum price levels for:

enterprises of communal heat energy, heat power plants, heat supply electric units and business subjects' boiler houses, in particular, block (module) boiler houses (in amounts used to provide heat and hot water supply services to the population), such enterprises maintain separate equipment accounting for heat and water), including VAT, the duty to the approved natural gas tariff in the form of price mark-up, tariffs for its transportation, distribution and supply as well as storage cost, provided the National Joint-Stock Company price (hot

institutions and organizations financed from the state and local budgets, industrial consumers and other business subjects, excluding VAT, ~~but~~ in addition to the approved natural gas tariff in the form of a price mark-up, tariffs for its transportation, distribution and supply as well as storage costs at the level of LPH 720 for 1 thousand cubic meters;

to add paragraph 8 to the Resolu