

# Prospects of the Russian energy sector in the investment scenario (gasification, energy and heat supplying)

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# Plan

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1. Introduction
2. Problem of gasification
3. Investment cycle in electricity generation
4. Investment mechanism in heat supplying

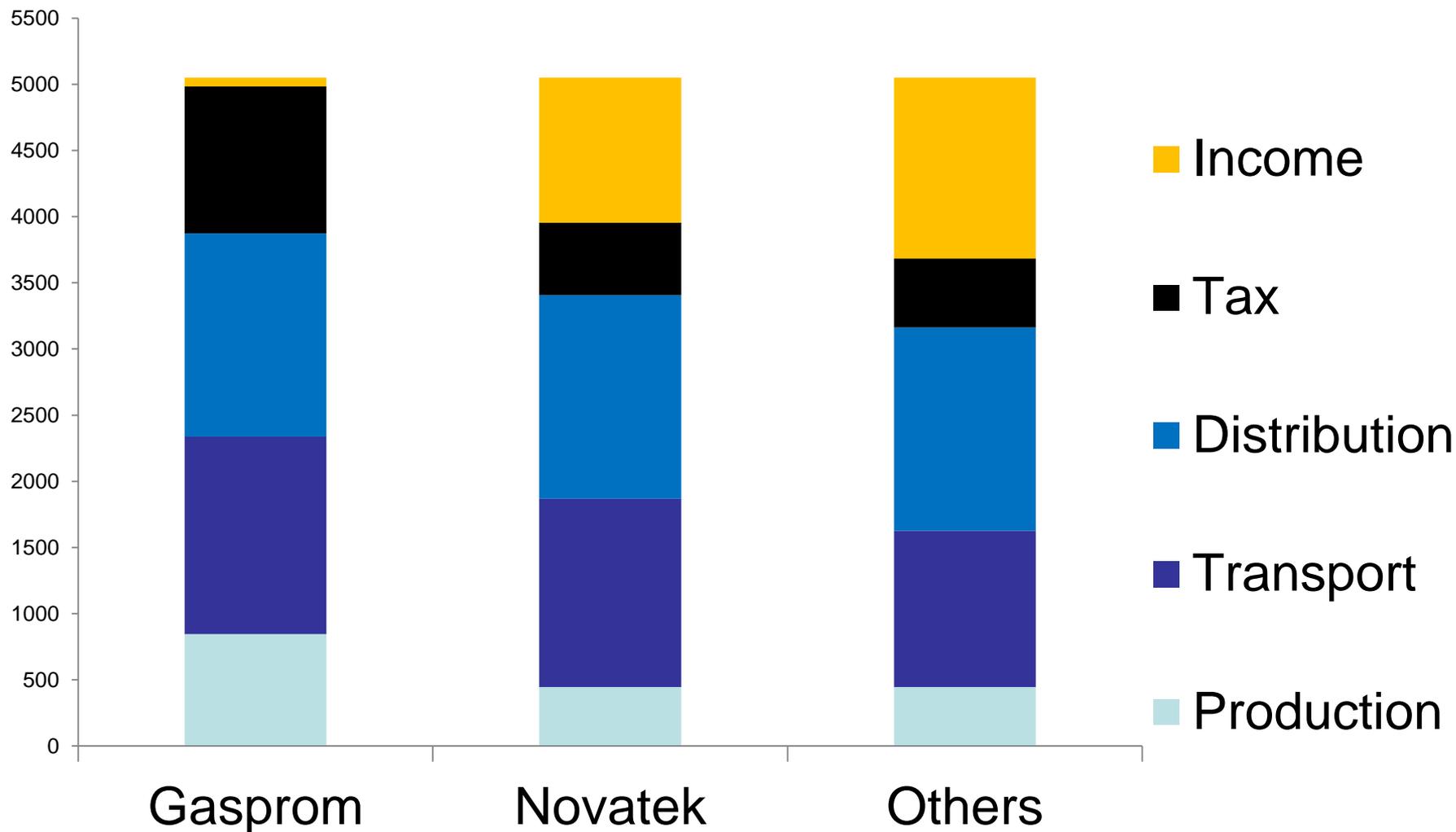
# Problem 1 - Gasification

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1. Excess gas (50-100 billion m<sup>3</sup>)
2. Low level of gasification - 66-68%
3. The current approach to gasification does not work:  
Gazprom-regions-consumers. Total investment  
about - 30-60 billion rubles per year.  
Resources are wasted without effect or with low  
effect.

# Structure of price for population, rub./1000м3



# Metodology

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1. Evaluation = non-gasified + no district heating
2. Investment assessment for each region (through the unit cost of gasification)
3. Grouping regions
4. Evaluation of investments for 4 groups of regions

# Evaluation of investments in gasification



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	<b>Investment, trillion rubles</b>	<b>Number of regions in group</b>	<b>Population in groups, mln people</b>
First group	4,3	17	8,6
Second group	3,2	10	6,3
Third group	1,4	44	2,3
Fourth group	0,4	11	0,8
Total	9,3		

The level of gasification in Russia will rise from 66.5% to 84.1%,

- for the western part of the country will reach 90.5%,
- and for the eastern - 62.2%.

# Policy measures



## Without reform of gas market:

- cancellation of Tax **for new volumes of gas** supplies for several years;
- admission of other companies to gasification (it will gain new investments and rise efficiency).

## With reform of gas market:

- Group regions and use different models of gasification with different types of companies.

# Problem 2 - Investment in Electricity generation



1. Post-reform situation and market organization. As example - investment program “ДПМ” in 2008-2022
2. Position of CHP plants on market
3. High prices and surplus in generation capacity
4. New program - ДПМ2 (1,5-4,5 trln. rubles.; 40 GW – 15% of Total)
5. Result of the first stage: 60% to one company, 80% in not CHP plants, 80% in repair not in modernization

# Policy measures



## Without reform of electricity market:

- Better selection of projects;
- Competitions with other segments;
- Use other form of financing (own finance of companies or state investments from Funds).

## With reform of electricity market:

- New model of market.

1. The situation in changed for last 5-7 years – DH systems are become interesting for investments
2. Regulation problem – cost based tariffs
3. No resources for investment in the Sector
4. New instruments
  - Concessions
  - New model of heat market (Alternative boiler)

# Policy measures



## Without reform of electricity market:

- Concessions are on the lowest rate of investment;
- «Alternative boiler» is not useful for all DH systems;
- New forms for different types of DH systems.

## With reform of electricity and heat market:

- Large load of CHP plants in current or new model of electricity market

# Thank you

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