

Taras Burdeinyi, CEO Burisma Group: Ukraine Needs Its Own Gas – Government Meets Private Producers Halfway

NefteRynok sat down with Mr. Burdeinyi to discuss what Burisma Group has planned for 2018

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[NefteRynok](#): How did 2017 go for the [Group](#)?

Taras Burdeinyi: Last year, we continued our "Billion Strategy" that we adopted earlier. Each of its components, including production, investments and taxes hit the billion mark. In 2017 alone, we drilled 16 new wells. Some of them were completed earlier than originally planned, while others require more time and efforts. In certain cases, we had to act immediately and adjust our plans to enhance production capacities. In December 2017, the Group reached the daily production rate of 2920 m³ gas, which is more than 1 billion m³ a year. This represents an increase of 11% between the years 2016 and 2017.

NR: Further growth of domestic gas production greatly depends on state policies. Just a while ago, several gas projects were frozen due to tax load. Now we see a positive shift, though there's still a long way to go in terms of legislation. Is it true to say that the Cabinet of Ministers and Verkhovna Rada are now playing on the gas producers' side?

T. B.: I can say that the industry's relations with state authorities have definitely improved, and it benefits everyone from state and local authorities to gas producers, local communities and consumers. We are glad that the government is meeting us halfway. In 2017, some very important legislative changes were adopted: rent rates for natural gas production were reduced to 12% (wells up to 5,000 meters deep) and 6% (wells deeper than 5,000 meters). These values are valid until 2023. For example, our company will use the money to explore new wells. It is a win-win situation for both sides. In addition, starting this year, 5% of the rent paid by gas producers will be transferred to local budgets - this will directly affect local communities. It is very important for us at [Burisma](#) to be actively involved with local communities and support them in any way we can.

NR: How do you support local communities and how much did the company pay for rent in 2017?

T. B.: Burisma's rent payments in 2017 amounted to more than UAH 1,5 bln. Last year, Burisma Group paid circa UAH 5 bln to budgets of all levels. Starting this year, part of the tax-money will go to local budgets, which creates new opportunities for local communities and regions. At the same time, we continue to support our earlier initiatives: we are building roads, schools, kindergartens. Just this year, Burisma provided the Kyiv city child care center with everything it needed.

In addition, we hope to be able to continue the dialogue with state authorities. We expect the bill #3096-d (adopted in the first reading in December 2017) to be abolished, adopted in the second reading and signed by the President. The Association of Gas Producers of Ukraine that bring together domestic gas producers meets regularly to discuss ways to improve the operation process. All proposals are sent to relevant departments at state and local levels. The industry has built strong relations with both the Verkhovna Rada and the Cabinet of Ministers of Ukraine. Support from state authorities allows us to grow. The money previously intended for paying taxes can now be spent on surveys and field development. Many companies are still using outdated geophysical data. Now we have a chance to conduct new surveys and help the industry.

NR: Have you already set up a precise geophysical survey plan?

T. B.: Over the coming two years, Burisma Group plans to conduct 2D-seismic surveys on more than 500 linear kilometers, 3D-seismic surveys on more than 1500 square kilometers. In January, we have already initiated surveys at 4 gas fields.

NR: How many wells do you plan to drill in 2018?

T. B.: The company has planned to drill 16 new wells. Half of them are more than 5,000 meters deep. We have already started drilling three wells and building a new pipeline that connects several gas fields, which increases the flowrate. We plan to invest approximately \$150 million in drilling and infrastructure in 2018.

More details:

<http://burisma-group.com/eng/media/taras-burdeinyi-ukraine-needs-its-own-gas-government-meets-private-producers-halfway/>

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