SUSTAINABILITY STRATEGY

SAFETY OF MARINE ECOSYSTEMS: OFFSHORE PROJECTS

LUKOIL has considerable experience in oil production projects in northern and southern seas. We believe offshore projects are a promising trend in oil production, which will expand with the development of more reliable and safer technologies.

At the same time, marine systems are particularly vulnerable to negative impacts, given the high speed at which contaminants spread, the ability to accumulate contaminants in sediment beds, and the high risk of death to a significant number of fish, animals, and plants. The main environmental risks of implementing offshore projects are associated with spills of oil, drilling fluids, and other hazardous liquids. We believe that targeted measures to ensure the safety of marine ecosystems are obligatory conditions for the implementation of the Company’s offshore projects.

In Russia, we are developing offshore projects:
- In the Baltic and Caspian Seas, and we are also participating in a joint project with Rosneft in the Sea of Azov. Exploration and production on licensed sites within these projects are carried out at depths of less than 150 meters.
- In the Barents Sea, where an on-shore marine terminal for the transfer of petroleum products has been built.

LUKOIL also participates in international consortia to implement exploration projects, including explorations of deep-water reserves.

In most projects the Company is not an operator, while we promptly receive information on the progress of work on these projects, the selection of contractors and the measures taken to ensure safety.

Projects in which LUKOIL is not an operator:
- in the Gulf of Guinea, the Caspian Sea (Azerbaijan sector), and the Barents Sea (Norwegian sector, transboundary fields)

Projects in which LUKOIL is an operator:
- in the Black Sea (Romanian sector)

In 2018, LUKOIL Group entities did not carry out any deep-sea works related to drilling or the construction and operation of wells. Deep-sea works refer to oil and gas exploration and production at depths of over 150 meters.

In order to prevent environmental risks related to implementing offshore projects, a safety system is functioning to ensure a high degree of protection of the marine environment from potential negative impacts due to industrial operations.

“Zero discharge”

The basic principle applied in marine works is “Zero discharge,” which prohibits the discharge into the marine environment of any waste generated as a result of production activities. All waste is collected in sealed containers, which are then taken ashore for neutralization and disposal.
Environmental and satellite monitoring of marine and coastal ecosystems

In Russia, LLC LUKOIL-Kaliningradmorneft and LLC LUKOIL-Nizhevolzhskneft have entered into contracts with specialized organizations for the continuous environmental monitoring of the Baltic and Caspian Seas within the boundaries of licensed subsoil areas.

New methods are used to assess the actual impact of oil and gas production on biological objects, such as bottom stations for environmental monitoring and to identify sources of hydrocarbon pollution in sea waters.

Technical solutions ensuring a high level of reliability of offshore pipelines.

In 2018, the Network Group of PJSC LUKOIL “Improvement of Oilfield Pipe and Tubing Reliability” developed the Guidelines for Ensuring the Reliability of Offshore Pipelines and corporate standards that establish more stringent safety requirements than those prescribed under Russian law. A new model regulation was also developed, which contains a classification of defects and well repair rules. In 2018 the first repairs were carried out in accordance with this document.

Monitoring works performed by contractors

In order to ensure the quality of the work of contractors, all well construction works at fields are carried out under the leadership of LUKOIL Group entities through drilling supervisors (working directly on drilling platforms) and production engineers (working in an office).

The comprehensive measures that have been taken ensure a high level of safety for offshore projects.

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