

PRESS RELEASE
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LUKOIL PRESIDENT VAGIT ALEKPEROV TAKES PART IN THE SAINT-PETERSBURG INTERNATIONAL ECONOMIC FORUM

Today, at the XIII International Economic Forum in Saint-Petersburg, President of OAO LUKOIL Vagit Alekperov participated in the discussion on global energy and Russia's contribution in energy security.

In his speech, the head of the Company outlined the challenges, which have been coming on in the last few years and which the crisis uncovered.

The first issue is the depletion of resources and decline in output of oil in non-OPEC countries. According to Vagit Alekperov, this is a long term trend, which will be bridged only as unconventional reserves, including deep sea offshore fields, bituminous oil fields and oil bearing sandstones are developed.

However, according to the Company's experts, the fall of demand for hydrocarbons is for the time being and is likely to cease as the global economy revives.

The second issue is the rapid growth of operational and capital expenditures, accounted for the necessity to implement best available techniques of raw materials recovery on the one hand, and deficient production and transport infrastructure in new extraction areas, on the other.

The third issue is in high volatility of energy markets. In the past few years, price oscillations have become rather notable, whereas the time span has curtailed drastically. One of the reasons for that is the ever emerging role of financial derivatives in oil trade.

As Vagit Alekperov says, to ensure sustainable balance between supply and demand as well as stable pricing, more investments shall be made in the industry. However, price deviations make influx of investments unstable.

According to LUKOIL's President, to release the endless circle, it is required to minimize the role of financial industry in oil trade and to establish favorable environment for public and private investments in new regions, upgrade and construction of refining capacities.

Development of new provinces is of current concern for Russia, as the country has

vast yet-to-find hydrocarbon reserves in remote areas, first and foremost those of continental shelves.

As for the primary tasks, Russian oil and gas industry has to concentrate on:

- sustainable production and better oil recovery efficiency in West Siberia, Russia's major oil bearing province;
- development of new oil and gas bearing provinces, including Timano-Pechora, Caspian region, East Siberia, Yamal;
- geological exploration on the Arctic shelf;
- establishment of new systems for transportation of oil and gas both in west and east directions;
- further upgrade of Russian refining capacities.

In its turn, LUKOIL, despite the global economic turmoil, successfully meets the challenges, the Company has to face, thus contributing to the country's oil and gas industry.

The major task for the Company in 2009 is to commence commercial oil production in the North Caspian Region – a global project, which started back in the mid 90-ies of the XX century. For the past 10 years LUKOIL has discovered 8 major oil and gas fields in the region, including those discovered under joint ventures.

Development of the infrastructure of the first six fields will require construction of 26 hydraulic structures (160 thousand tons), as well as installation of 1000 kilometers of pipelines, implying over 6 thousand new work places at the enterprises of the Southern Federal District.

Development of the infrastructure at the first – Yuriy Korchagin – field is almost completed. Its start up is planned for December 2009.

The Company had obtained relevant experience before it started development of the Caspian fields. Thus, LUKOIL was the first Russian company to have developed the offshore field in the Baltic Sea (D6). Moreover, the Company constructed Varandey oil export terminal on the Arctic shelf.

Therefore, the Company's experience proves, that LUKOIL is able to implement any offshore project, while utilizing Russian technologies and paying due attention to environmental issues.

Besides, the Company keeps upgrading its refining capacities. Thus, the priority is the construction of the catalyst cracking unit at the Nizhniy Novgorod Refinery, which will allow transition to the Euro-4 standard and to expand production of high-octane petrol by 1.5 million tons as early as 2010. This project, being among the major ones in the post-soviet history of Russia, is the sole project today, being implemented so rapidly.

As President of OAO LUKOIL Vagit Alekperov mentioned it in the course of discussion on the global role of energy resources and Russia's contribution to the world's energy security, which took place within the XIII International Economic Forum in Saint-Petersburg, "we are ready to work and invest in the oil and gas industry both our own funds and in cooperation with the state companies".