

PRESS RELEASE
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VALERY GRAYFER, CHAIRMAN OF LUKOIL BOARD OF DIRECTORS
SPOKE AT RUSSIAN MINING CONFERENCE

Today Valery Grayfer, chairman of OAO LUKOIL Board of Directors and Director General of OAO RITEK, held a speech at the Russian Mining Conference in Moscow.

In his speech, among other things, he emphasized that ample reserves are Russia's competitive advantage which allows the country to maintain energy independence, play an important role in the system of global division of labor and have a stable source of revenue.

Valery Grayfer also pointed out that Russia is in need of a comprehensive mining industry development strategy which could focus on long-term, mid-term and short-term factors. In accordance with Mr. Grayfer, the first group included global national economic interests, the second group comprised strategy of separate companies while the third group encompassed current budget requirements. In accordance with the above-described statement, Valery Graifer structured out the following hierarchy of industry policy goals:

- compensation of extraction by increment in raw materials;
- renewal of basic production assets;
- introduction of new more efficient and safer technologies;
- training of professionals;
- environmental protection;
- search for new export opportunities;
- development of refining facilities in the country;
- elaboration of tax withdrawal plan based on industry investment needs.

Valery Grayfer also noted that the state, even though slow, was moving in that direction. A possibility of tax differentiation for production of mineral resources is under consideration. New export capacities are being constructed. It has been

decided to introduce European quality standards for motor oil in a stepwise manner. New subsoil legislation is being developed. In particular, according to LUKOIL expert opinion, the concept of the new Subsoil Law complies with the overall strategic development priorities of the industry. This document's unequivocal advantages include the following:

- contract relations between the state and the subsoil user have been introduced;
- the subsoil user automatically gains the right to explore and develop fields which have been opened by own means;
- the subsoil user becomes owner of the produced raw material;
- licenses may be reissued from the mother company to the subsidiary and vice versa.

However, the law draft does not include too many direct application regulations. Most of the provisions require development of sublegislative acts which regulate the subsoil use in a more detailed manner. Adoption of the Subsoil Law without simultaneous adoption of sublegislative acts may cause a legal vacuum, which would have a negative impact on the industry. Moreover, the law draft does not touch on such important issues such as reproduction, rational research and use of subsoil resources.

Consequently, Valery Grayfer, chairman of OAO LUKOIL Board of Directors emphasized that Russia should develop a state program to provide subsoil resources to companies, which would comply with proposals of federal and regional government agencies and subsoil users.