PRESS RELEASE
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LUKOIL CUTS DOWN INDUSTRIAL BURDEN ON THE ENVIRONMENT

Today Igor Zaikin, OAO LUKOIL Head of Department for Industrial Safety, Environment and Research spoke at a conference titled Environmental Projects of Russian Corporations in Moscow.

In his speech, he noted among other things that LUKOIL was particularly focused on minimizing the negative environmental impact and emergency risks, and on avoiding negative consequences for the environment and for human health in case accidents occur.

Continuous improvement of the Corporate Management System based on vertical integration ensured management of environmental, industrial and professional risks not only by the core service, but by all of the Company's divisions. Environmental safety includes all project implementation stages, from investment plan and commencement of the new site, to, if necessary, closing production and dismantling equipment.

The Company's HSE management systems which satisfy the requirements of international standards exist in all the LUKOIL Group organizations. In 2001 OAO LUKOIL was the first Russian oil Company to receive a certificate of compliance with the ISO 14001 international standard and OHSAS 18001 specification. At present, the Company's all main subsidiaries are also holders of such certificates.

OAO LUKOIL HSE management system is efficient which is proved by the fact that during the last five years specific environmental impact indicators of the Company's production sites are considerably lower than Russian industry average indicators.

Systematic work aimed at providing environmental safety allowed the Company to achieve the following results:

- cut down industrial impact on the environment;

- optimize energy and water consumption;

- implement technologies which ensure minimization of waste, emissions and discharge of pollutants into the environment;

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- increase associated oil gas utilization to produce thermal and electric power;

- hold environmental rehabilitation of the Komi Republic regions which underwent large-scale oil pollution;

- increase production of goods which comply with advanced international requirements.

The basic tools of implementing LUKOIL's environmental policy are corporate Environmental Security Programs. As a result of their implementation, the negative environmental impact has been cut significantly. For instance, environmental impact indicators are 1.5-2 times lower than Russian industry average indicators, while utilization of associated oil gas has risen from 73% to 81%. In addition to that, over 4 mln tn of hazardous waste has been utilized, 8,380 km of pipeline have been overhauled, 2,752 slurry storage pits have been eliminated, 3,270 Ha of oil polluted land have been reclaimed.

OAO LUKOIL spent 44 bln rub for environmental activities from 1997 to 2005. While implementing the Environmental Safety Program for 2004-2008 over 400 events worth 33.5 bln rub have been planned.

The Company has almost completely eliminated the effects of one of the largest accidents in the history of oil production. The accident took place in 1994 at Vozei-Golovnye Sooruzheniya pipeline (the Komi Republic). As a result of five years of LUKOIL operation at the site, the region lost its environmental emergency area status.

Development of Kravtsovskoye field (D-6) located in Russia's economic zone on the shelf of the Baltic Sea is one of the Company's most peculiar projects. Just like in the North Caspian region, all production activity complies with the 'zero discharge' principle. The singularity of this project is the immediate proximity of D-6 platform to the national park Kurskaya kosa. This requires maximum reduction of industrial and environmental risks, a special monitoring program of all environmental components. To do this, 24-hour satellite observation was organized to ensure control over the Russian part of the water area. At the end of 2005, environmental safety expenses amounted to over 263 mln rub.

While implementing the Caspian projects, one of the Company's key tasks is to minimize the risk of causing harm to the Caspian Sea ecosystem and preserving its unique natural resources. The Company's expenses for environmental protection in the region at the beginning of 2006 came to around 300 mln rub.

In September 2006 LUKOIL completed construction of the LUKOIL-II distribution

and transshipment complex on Vysotsky Island (Leningrad region). The terminal receives only double hull tankers. There is a system of laser vessel mooring, which ensures perfect precision of vessel movement. Storage tanks are constructed based on 'shell-in-shell' concept. Discharge railroad overpasses are built in such a manner that accidental leakage of petroleum products is virtually impossible. On the whole, in terms of technical equipment and environmental protection LUKOIL-II distribution and transshipment complex is among best environmentally protected ports in the world.

After large-scale reconstruction and upgrading of the refinery, the Company managed to cut down pollutant emissions into the atmosphere by 2-5 times. At present, on average this figure is estimated at 1.48 kg/t of refined oil, which is twice lower than the average indicator at the Russian refineries. Since 2004 the plants have stopped discharging polluted waste water into water bodies. In February 2006 LUKOIL launched production of gasoline complying with the European Euro-3 standard, which became possible due to commissioning an isomerization installation of the catalytic reforming unit at OAO LUKOIL-Nizhegorodnefteorgsintez refinery. In April 2006 LUKOIL started selling new automobile gasolines under the EKTO brand (environmentally friendly fuel).

All LUKOIL's new fuel stations are equipped with gas manifold systems which do not allow gasoline fumes to evaporate from the storage tank to the oil tank during offloading. They are also equipped with double-wall tanks with control systems for the insulation space, with stainless pipelines, with systems which avoid petroleum product overflow from the tanks, with fuel-dispensing units, which stop fuel feed when the gas tank is full, and with waste water treatment facilities.

LUKOIL shares the concern of the international community on human impact consequences on the environment, including the global climate change, and is willing to share the responsibility in terms of its obligations under the Kyoto Protocol to the United Nations Framework Convention on Climate Change. For instance, in October 2005 the Company developed a project on Corporate Concept to Create an Innovative Mechanism of Attracting Investments to OAO LUKOIL Enterprises Based on Environmental and Economic Mechanisms of the Kyoto Protocol. The Company has also elaborated a Comprehensive Plan of Action for OAO LUKOIL in 2006-2007 aimed at implementing a green house gas emissions management system. Creating a green house gas emissions management system will allow to create a new carbon asset, units of green house gas emissions reduction.

In 2005 the Company published its Sustainable Development Report prepared in accordance with the international standards, Global Accounting Initiative and AA1000 AS standard, which were most widely used. The Report underwent a

compliance examination by the Bureau Veritas auditors. This Report is a first comprehensive system document of OAO LUKOIL published on a regular basis for a wide range of interested parties and reflecting all basic social and environmental aspects of Company operation.

The Company wins Russian and international ratings and contests in terms of providing environmental safety and disclosing operational information. LUKOIL received the following awards:

- Oil and gas leader in information transparency (international rating agency Standard & Poor's);

- 'Company of the Year' in 'Business reputation' category of the YI National Award in Business (RosBisnesConsulting information agency);

- 'Best level of information transparency for investors' (Russian trade system and Rynok Tsennykh Bumag (Securities Market) magazine);

- 'Environmentally exemplary Company' (public organization Environmental movement of Concrete Deeds);

- 'National Environmental Award' was received for the project Comprehensive Environmental Safety during Oilfield (D-6) Development in the Baltic Sea.

OAO LUKOIL won the award For Efficient Environmental Policy of the Best Russian Companies contest held by the Chamber of Commerce and Industry of the Russian Federation and Russian Union of Industrialists and Entrepreneurs. A number of Company specialists were awarded with the title 'Esteemed environmentalist of the Russian Federation'.

According to the information guide called Social and Environmental Responsibility and Russian Business Ratings prepared by the International Social and Environmental Union and Independent Environmental Rating Agency NERA, LUKOIL is confidently maintaining its place among the top three leading Companies on environmental costs reduction. The Company's materials were published on the so-called 'white' pages of the information guide intended for organizations which have voluntarily disclosed their social and environmental accountability.