PRESS RELEASE
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LUKOIL TO SPEND 1.7 BLN USD ON ENVIRONMENTAL PROGRAMS BEFORE 2010

Yesterday Igor Zaikin, Head of Department for Industrial Safety, Environment, Research and Technology of OAO LUKOIL, spoke at the conference titled 'New Technologies to Solve Environmental Problems of the Fuel and Energy Industry', which was held at Gubkin Russian State Oil and Gas University, Moscow.

In his report, among other things he emphasized that the implementation of corporate programs aimed at providing environmental safety helped reduce environmental impact of LUKOIL companies considerably. For instance, specific indices of environmental impact for the Company are on average 1.5-2 times lower than industry average indices for the Russian Federation. Over the last decade, the use of associated petroleum gas has risen from 73% to 79%, over 4 mln tn of hazardous waste have been treated, over 8,380 km of pipelines have been overhauled, 2,752 slurry ponds have been liquidated, 3,270 ha of oil contaminated land have been resoiled.

A steady trend in waste reduction has been an issue for several years now. Waste treatment volumes outnumber waste production output by far. Thus, in 2006 the excess amounted to approximately 120 ths tn.

The Company eliminated damage caused by one of the largest accidents in the history of global oil production, the accident which took place in 1994 at the pipeline Vozei-Golovnye Sooruzheniya in Komi Republic (LUKOIL bought KomiTEK, the owner of the oil pipeline, in 1999). After the target corporate program had been implemented, Usinsk region ceased to remain 'area of environmental emergency'.

Reconstruction and upgrade of LUKOIL refineries helped reduce their environmental impact considerably. Thus, in particular, specific indices of air emission at Volgograd and Perm refineries fell by a factor of 2.6 and 4.5 respectively. Today, average waste specific indice (1.48 kg/tn of process oil) for Company refineries is half the respective figure for the Russian refineries (3.05 kg/tn). Starting from 2004, Company refineries have completely ceased dirty discharge to water bodies.

Specific indice of emissions at LUKOIL oil producing companies decreased by half

(from 1.04 to 0.5 kg/tn of products sold), specific indice of dirty discharge to surface water and land fell by a factor of 5 (from 0.05 to 0.01 cu m/tn of products sold), specific indice of water consumption - by a factor of 6 (from 0.33 to 0.05 cu m/tn of products sold).

Starting from 1996, OOO LUKOIL-Permnefteorgsintez was the first enterprise in Russia to launch production of unleaded gasoline only and one of the first (since 2001) companies to commence production of diesel fuel with sulfur content not higher than 0.035 mass %. In September 2004, following the commissioning of a deeper conversion facility, the Company launched production of diesel fuel with sulfur content not higher than 0.005 mass %.

Analysis suggests that the use of low-sulfur diesel fuel in Perm region alone will help reduce sulfur-dioxide emissions by 950 tn per year, and by 2,700 tn per year in Russia. By using motor fuel with reduced benzol content, a considerable reduction of aromatics emissions into the atmosphere is achieved.

In February 2006, LUKOIL launched gasoline production complying with the requirements of the European EURO-3 standard. That became possible by commissioning an isomerization unit of catalytic reforming at OAO LUKOIL-Nizhegorodnefteorgsintez. New gasoline produced under the EKTO brand (environmentally friendly fuel) provides for significant reduction of hazardous substances in exhaust fumes.

Industrial, occupational and environmental systems of the Company complying with the requirements of international standards are fully functioning in all companies of the LUKOIL Group. In 2001 OAO LUKOIL was the first Russian oil company to obtain ISO 14001 and OHSAS 18001 compliance certificates. At present, all main subsidiaries of the Company are in possession of such certificates.

Today environmental risks insurance coverage of the Company amounts to 15 bln dollars. In accordance with the new environmental program LUKOIL plans to spend about 1.7 bln dollars till 2010.