CUTTING THE TENTACLES OF RUSSIAN ENERGY ‘OCTOPUS’

DiXi Group follows on the series of materials aimed at exploring the foreign ties of key Russian energy companies for the elaboration of proposals for expanding sanctions limiting the international influence of the Russian energy sector

LUKOIL

The paper was prepared with the support of the International Renaissance Foundation. The material reflects the position of the authors and does not necessarily reflect the position of the International Renaissance Foundation.
LUKOIL’S TENTACLES SORTED OUT

Europe

**GERMANY**
- Wintershall Dea, Nordoel Mineralölhandelsgesellschaft MBH, Öl und Schmierstoffhandel Bielefeld GMBH, Schmierstoffe FERG E.K., Sigmund Hoffmann GMBH & Co. KG, Singer Öl & Technik GMBH, SIPS Dieter Döcker GMBH, Barzen Schmierstoffe GMBH & Co. KG, Burkhardt-Oil, FUS GMBH, Mineralöl, Mercedes Benz, BMW, Porsche, Volkswagen
- assets, trade, skill-sharing

**SWITZERLAND**
- Litosco (subsidiary)
- trade, assets

**FRANCE**
- TotalEnergies, Schlumberger, Renault, SmartLub Imports, SASU, Engie
- assets, trade, tech & service

**UK**
- BP, Shell, New Age (African Global Energy) Ltd, Bowleven, Jaguar Land Rover, Cmi2i
- assets, trade, tech & service

**BELGIUM**
- Demalub BV
- trade

**SPAIN**
- Merioil, Repsol, Yumax Lubricom
- trade, skill-sharing

**PORTUGAL**
- Krautli Portugal LDA
- trade

**SWEDEN**
- Lundin Energy, Bröderna Öhman AB, ESS Olieorder, Pay Back, Malmqvist & Edling AB, Sandbergs Jämtland AB, Volvo
- skill-sharing, tech & service

**ITALY**
- assets, trade

**FINLAND**
- Oy Teboil Ab
- trade

**FINLAND**
- Demalub BV
- trade

**ESTONIA**
- Erimek AS
- trade

**CZECH REPUBLIC**
- Euroleum s.r.o.
- trade

**SLOVAKIA**
- LubStar
- trade

**AUSTRIA**
- OMV, Naturkraft (at the Ölhaben site), Albö, Klein Autoteile GMBH
- assets, trade

**HUNGARY**
- MOL, BZ Hungaria KFT, Gavex KFT, HPS Lub KFT
- plans, trade

**MOLDOVA**
- Panoton, Brent Oil
- trade

**ROMANIA**
- SNGN Romgaz SA
- assets

**CROATIA**
- Janaf
- trade

**SWEDEN**
- Lundin Energy, Bröderna Öhman AB, ESS Olieorder, Pay Back, Malmqvist & Edling AB, Sandbergs Jämtland AB, Volvo
- skill-sharing, tech & service
**Asia and Africa**

- **INDIA**
  - Reliance Ltd
  - assets, trade
- **JAPAN**
  - Inpex
  - assets
- **REPUBLIC OF KOREA**
  - Hyundai Engineering, Samsung Energy
  - tech&services
- **KAZAKHSTAN**
  - Kazmunaygas, Kazakhstan Pipeline Ventures
  - assets
- **AFGHANISTAN**
  - Haji Abdul Ghani (dealer)
  - trade
- **UZBEKISTAN**
  - Uzbekneftegaz
  - assets
- **KUWAIT**
  - KUFPEC
  - skill-sharing
- **ARMENIA**
  - Mosesco
  - trade
- **AZERBAIJAN**
  - SOCAR, Xazar Oil
  - assets, trade
- **EGYPT**
  - Egyptian General Petroleum Company (EGPC)
  - assets
- **KUWAIT**
  - KUFPEC
  - skill-sharing
- **CONGO**
  - Societe Nationale des Petroles du Congo
  - plans
- **NIGERIA**
  - Nigerian National Petroleum Corporation (NNPC), Oil and Gas Nigeria Limited
  - plans

**North America**

- **MEXICO**
  - Pemex, Petrobal
  - assets
- **UNITED STATES**
  - Baker Hughes & Co, Chevron, ExxonMobil, Halliburton, Weatherford, American Petroleum Institute, ConocoPhillips
  - tech&service, assets, trade, skill-sharing

**For the purpose of simplicity, subsidiaries (apart of Litasco) or franchises are excluded from the infographics.**
HOW TO CUT LUKOIL’S TENTACLES

1. Expand sanctions on Lukoil and its leadership

2. Target Lukoil’s trading subsidiary Litasco

3. Impose sanctions on Eiger Shipping SA and other vessel operators carrying Lukoil’s oil to the world market

4. Enforce U.S. secondary sanctions on the trading of Russian oil in any form

5. Consider acquiring Lukoil’s assets in Europe and U.S. (by nationalization or forced sale)

6. Prevent the transfer of Western technologies directly or through third parties to any of Lukoil’s assets in Russia or abroad
Lukoil is the second-largest Russian oil company and the largest private oil producer in the country. Its extensive portfolio of foreign projects makes it one of the most visible Russian companies on the international market, and its trading arm Litasco has developed into an important player in international oil trading competing with established trading houses.

Lukoil belongs to the largest taxpayers in the Russian Federation. In 2020, it paid nearly $20.34 billion to the Russian state budget (including income tax, converted at median exchange rate for 2021). In Russia, Lukoil accounts for 11% of proven oil reserves, 15% of crude oil production, and 15% of crude oil refining. On the world scale, Lukoil possesses 1% of proven oil reserves, 2% of crude oil production and 2% of crude oil refining. In 2021, Lukoil produced 80 million tons of oil (nearly 2% of world production) and 29 bcm of natural gas. The core domestic assets are located in Western Siberia accounting for nearly 40% of the overall output. Nearly 8% of Lukoil’s oil and 34% of the company’s gas output is extracted abroad.

The division of business influence inside Russia and the substantial cost of developing new massive projects caused an active Lukoil presence abroad which was especially facilitated in the non-Europe destinations since the end of 2000s. The company is present in 35 countries. Lukoil has also a strong position in the production of motor fuels, owning four refineries in Russia (making it the second-largest refiner in the country after Rosneft), three refineries abroad and having stakes in one additional foreign refinery.

Another important area of business is production and marketing of lubricants (motor and transmission oils, marine oils, greases etc.). Lukoil controls nearly 40% of Russian domestic production of lubricants. Its operations abroad are backed technically by subsidiary LLK-International and owned by regional companies in this business. LLK-International has more than 1300 active certificates from original equipment manufacturers, participates in 20 R&D projects (including lubricants for electric engines) and since 2017 operates also Lukoil’s bitumen business. Its production network consists of 8 own production facilities, 2 joint ventures in Russia and abroad, and 25 third-party plants located worldwide; its products are marketed in over 100 countries worldwide.

Lukoil has quite an unusual for Russia ownership structure when most of the shares (nearly 55%) are traded on stock exchanges in Moscow, London and Frankfurt am Main. However, the company has two most influential beneficiaries – its former president Vagit Alekperov and vice-president for strategic development Leonid Fedun.

Alekperov, a former Soviet Deputy Minister, was Lukoil’s company founder and is one of the richest persons in Russia (wealth estimated at $10.5 billion in 2022, $24.9 billion in 2021). Last published Lukoil’s annual report for 2019 provided information that he controlled nearly 27% of the shares (2.99% directly and 24.4% via mutual funds and family trusts). However, after Alekperov was sanctioned by the UK, Lukoil issued a statement where it claimed his shareholdings currently are substantially lower – 3.12% controlled directly and 5.43% indirectly without voting rights. At the end of 2019, Lukoil’s vice-president Leonid Fedun controlled 9.07% of shares.

Alekperov’s presence on the British sanction list was motivated by such an official statement: “Through his directorship of Lukoil, Alekperov continues to obtain a benefit from and-or continues to support the Government of Russia by working as a director (whether executive or non-executive), trustee, or equivalent, of entities carrying on business in sector of strategic significance to the Government of Russia, namely the Russian energy sector”.

This statement corresponds with a high number of Alekperov’s meetings with Putin highlighted in the media, where he reported about the company’s activities. Additionally, after being sanctioned, Alekperov received the order of merit from Putin. Despite the close relationship with incumbents, the private ownership status of Lukoil makes it a weaker player when its interests are crossing with the priorities of major state-owned giants (as demonstrated by its unsuccessful competition with Rosneft for acquiring Bashneft, which ended by terminating earlier unsuccessful agreements with Lukoil initiated by new owners; and by protracted advocacy for allowing extraction from Nadezhda offshore field).

Four main issues are important for evaluating Lukoil’s economic stand and its public image in the context of benefits the company might bring to the Kremlin. These are Lukoil’s trading subsidiary, the geographical patterns of its international activities, the controversial character of its operations abroad, and the company’s activities in the post-February environment.
First, the special attention to Litasco, Lukoil’s trading arm, is needed due to its foreign registration and diversified portfolio which could be used for bypassing the Western sanctions on Russia.

Litasco was founded in 2000 in Switzerland as a specialized entity to sell Lukoil’s oil abroad and is labeled as its “window to the world”. For the time of its operation, Litasco managed to diversify substantially its portfolio: the share of oil from third parties in its trading operations increased from 28% in 2004 to 63% in 2019. In general, in 2019, the company has supplied 103 millions metric tons of crude oil and 84 millions metric tonnes of refined products. Additionally, Litasco is registered as the main shareholder of many Lukoil assets such as refineries in Bulgaria or Italy, and has its own maritime shipping subsidiary Eiger Shipping SA.

Lukoil was considering the sale of Litasco or its partial listing on commodity exchanges in 2017, citing the high cost of supporting its operations which was interpreted by experts as searching for the opportunity to get more favorable conditions while allowing the traders to compete for the company’s oil without having a specialized subsidiary. Nevertheless, in 2019 the company decided to abandon that idea claiming that Litasco’s technological expertise makes it hardly feasible to sell this asset. Such a U-turn might have some political motivation from the side of Russian regime.

Second, Lukoil’s international activities have also a broader geopolitical picture.

After 2014, Lukoil performed a massive regrouping of its retail assets in Europe, having sold its filling station networks in Poland, Hungary, Slovakia, Chech Republic, Lithuania, Latvia and Estonia (claiming “Russophobia” in some of these states), as well as all its remaining assets in Ukraine (retail business and chemical facility). On the other hand, in the 2010s the company has increased its presence in Western Europe by acquiring assets in the Benelux countries.

In the areas outside Europe, one can also define some basic trends. Foremost, Lukoil aims to expand the number of its projects in Central Asia/Caspian region, Sub-Saharan Africa and Mexico. Shortly before the start of the Russian invasion, Lukoil increased its shares in the Shah Deniz project in Azerbaijan by acquiring shares from Petronas (but still falling short of the planned goal of getting the blocking package in the joint venture) and bought the additional gas field in Mexico. Additionally, Putin announced Lukoil’s interest in becoming operator of Caspian Sea offshore field Dostluk belonging jointly to Turkmenistan and Azerbaijan.

On the other hand, the future of its activities in the Middle East remains unclear. The new round of U.S. sanctions against Iran forced Lukoil to leave its plans of starting a business in that country. The interest in Lebanese offshore projects had not been materialized, and it was also reported that Lukoil might sell its share in West Qurna-2 field (Iraq) to undisclosed Chinese companies due to the recent tendency of oil majors to leave the country due to unfavorable investment climate. However, the company’s activities in the Middle East might resume due to the key role played by this region in the possible expansion of the Southern Gas Corridor.

Third, Lukoil’s operational activities abroad have often been controversial.

The Ukrainian law-enforcement institutions accused the local subsidiary of Lukoil of being involved in the financing of pro-Russian separatists in eastern Ukraine in the initial stage of conflict. In 2015, Romania arrested Lukoil assets in the course of investigation into company-related money laundering (which was lifted soon). In Bulgaria, Lukoil had problems with keeping environmental standards and was listed among companies accused of local price fixing in the market of refined products. Additionally, Lukoil’s practice of pricing transfer, which allows to redirect its profits to Litasco’s low-tax regulation in Switzerland by formally declaring annual deficits of the Burgas refinery (even in times of high prices), was considered by many in Bulgaria as tax evasion, and this issue gets growing political salience (which might finally bring some results after the former long-term Prime Minister Boyko Borisov, which labeled as “friend” by Lukoil’s representative in Bulgaria Valentin Zlatev, resigned in 2021).

Lukoil’s operations outside Europe were also subject to scandals. In 2019, Shanghai police arrested some Litasco trading representatives, convicting them in alleged fraud which occurred four years earlier. Also, a report of Public Eye initiative mentioned Litasco among the companies which deliberately sell low-quality harmful oil products to countries of Western Africa using the loopholes in weak national systems of quality control. The recent controversy with Litasco’s delivery of methanol-blended petrol fuel to Nigeria, which occurred in February, illustrates this.

All these facts demonstrate that Lukoil has enough “expertise” in circumventing legal regulations for maximization of profits and possible use of clientelist corruption networks for defending its interests. Such “expertise” could be helpful for the Russian regime in its effort to undermine and sabotage Western sanctions.

Fourth, the sanctions on Russia have an impact on Lukoil’s activities, even if they are not directed particularly on the company.

After the Russian annexation of Crimea and its backing of separatist proxies in Donetsk and Luhansk regions, Lukoil has been a subject of U.S. sectoral sanctions (ban of common offshore exploration) which forced TotalEnergies to exit its joint venture with Lukoil in 2014. However, financial restrictions were not applied. After the start of the
Russian full-scale invasion of Ukraine in February 2022, Lukoil's board issued an official statement calling for “the soonest termination of the armed conflict”. Western analysts hardly believed this step was made without the Kremlin's approval. It is hard to assess the influence of that statement on the fact that Lukoil has not yet been subject to sanctions.

Nevertheless, even without formal limitations, the war in Ukraine brought additional problems to the company. During the first day of the Russian invasion, Alekperov lost nearly $5 billion. Russian media circulated information that Lukoil's Vice President Fedun lost almost all of its fortune which was estimated to be nearly $11 billion because of the decrease in cost of its shareholdings.

In the first month after the invasion, the media reported that Litasco's partners were afraid of continuing operations with the trader fearing possible sanctions. The Dutch shipping company N2, which got an order from Litasco for one of its vessels to onload the Russian crude in Novorossiysk, starting from February 24 decided not to arrive due to the possible legal consequences and was brought by Lukoil's subsidiary to the court. The problems with receiving loans for backing purchases is another reason why trading companies got concerned about future cooperation. Also, in March, the leaked Alekperov's letter to the Russian government stated that Lukoil might face the risk of not having enough storage capacities for the fuel oil which remains in the country due to the sanctions on Russia. It might explain why Leonid Fedun, another influential Lukoil's shareholder, has proposed publicly to cut Russian oil production on 20%-30% claiming it as an effective tool for preservation of high oil prices on world market and prevention of selling Russian oil at huge discounts.

The public image of Lukoil was also harmed. In April, Alekperov resigned from his position as Lukoil president following personal sanctions against him imposed by the United Kingdom. Several public protests occurred calling to sanction this Russian company (predominantly under #BoycottLukoil campaign). In some countries (such as Finland) production of Lukoil and its subsidiaries was boycotted by customers. The Government Pension Fund of Norway (country's sovereign wealth fund) decided to divest its share in Lukoil. The former Austrian chancellor Wolfgang Shüssel has left Lukoil’s board of directors. Additionally, Business Europe has excluded the company from its membership (although, it could be a deliberate decision of Lukoil to abstain from participation in association, as Business Europe representatives have claimed in the media they have not received membership payment from the Russian company). Additionally, Alexandr Subbotin, a former top-manager of Lukoil, was found dead following strange circumstances.

Another source of uncertainty for Lukoil relates to the implementation of a new Russian financial legislation adopted in mid-April. It prohibits trading or offering foreign securities which represent the shares of Russian companies abroad. Lukoil shares were suspended on the London Stock Exchange from the beginning of March, with a view of delisting. The company has already ceased completely its operations there from June 6 and terminated its ADR facilities allowing conversion of receipts into ordinary shares before the end of their validity. Moreover, Lukoil started a bondholder identification process, asking investors of its foreign denominated bonds to provide information about their identity, country of residence and number of bonds they were holding. Additionally, in June US Treasury Department prohibited US money managers from buying any Russian debt or stocks in secondary markets which directly affects Lukoil.

Nevertheless, the economic position of Lukoil still allows the company to continue its normal operation. The company's management expected the 2022 price for its oil at $60/bbl which is considerably lower than current prices. In March, Alekperov announced that Lukoil is on the road to achieving by the end of the year a 5% increase in the number of drilling activities in comparison to 2021. The company reported an increase in its year-on-year revenues in Q1 2022 (although the released financial statements were done according to the methodology of Russian accounting and without a version based on the international accounting standards). The company was also actively preparing for the opening of its new European headquarters in Vienna. In May 2022, Lukoil reached an agreement about purchasing Shell’s network of 411 filling stations in Russia and a lubricants blending plant in Torzhok, becoming one of the beneficiaries of the Western companies' exodus from Russia.

Despite private ownership of Lukoil and its formal statement against the war, Lukoil-related experts were helping in the lobbying activities. E.g., Litasco’s board member Johannes Benigni, who is the chairman of consultancy JBC Energy Group, recently made a lot of appearances on Austrian TV, introduced as an “independent expert” without mentioning his ties to the Russian trader. He claimed that the European oil embargo will be ineffective and economically harmful, because Russia will divert its supplies to Asia without losing revenues and the fuel price in Europe will increase substantially. The similar messages were shared by Alekperov himself.

Given all the reasons described above, it is essential to map the company’s influence on an international scale, taking into account a detailed picture of Lukoil’s cooperation with all possible types of foreign stakeholders. Such analysis should be instrumental in considering additional ways on how the tentacles of this Russian energy octopus could be cut off.
### Extractive and production

<table>
<thead>
<tr>
<th>Location</th>
<th>Description</th>
<th>Projects Entered</th>
<th>Shareholders</th>
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</thead>
<tbody>
<tr>
<td><strong>Licensing sectors 858 and 719, Norway</strong></td>
<td>Entered projects in 2017</td>
<td>LS 858 shareholders: Aker BP – 40% (operator), Lukoil – 20%, Equinor – 20%, Petoro – 20%</td>
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<td></td>
<td>LS 719 shareholders: Spirit Energy Norway 50% (operator) Lukoil – 30%, Aker BP – 20%</td>
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<tr>
<td><strong>Trident block, Romania</strong></td>
<td>2011 concession agreement for exploration and production, Shareholders: Lukoil – 87.8%, Societatea Nationale de Gaze Naturale Romgaz S.A. – 12.2%</td>
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<tr>
<td><strong>Shah Deniz field, Azerbaijan</strong></td>
<td>1996 production-sharing agreement for 40 years, financed the second stage of project for $1 billion Shareholders: BP – 29.99% (operator), TPAO – 19%, SOCAR – 14.35%, Lukoil – 19.99%, NICO – 10% Southern Gas Corridor (Azerbaijan’s Ministry of Economy and SOCAR) – 6.67%</td>
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<td><strong>Shallow Water Area, Azerbaijan</strong></td>
<td>SOCAR – 50%, Lukoil – 25%, BP – 25% (operator)</td>
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<tr>
<td><strong>Karachaganak field, Kazakhstan</strong></td>
<td>2017 production-sharing agreement for 40 years, Karachaganak Petroleum Operating – shareholders: Shell – 29.25% (co-operator), ENI – 29.5% (co-operator), Chevron – 18%, Lukoil – 13.5%, Kazmunaygas – 10%</td>
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<tr>
<td><strong>Tengiz field, Kazakhstan</strong></td>
<td>2013 production-sharing agreement for 40 years, Lukoil entered in 1997 Operator (Tengizchevroil) – shareholders: Chevron – 50%, ExxonMobil – 25%, Kazmunaygas – 20%, Lukoil (Lukarco) – 5%</td>
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<tr>
<td><strong>Zhenis block, Kazakhstan</strong></td>
<td>2019 agreement, 9 years for exploration and 25 years for production Shareholders: Lukoil – 50%, Kazmunaygas – 50%</td>
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<tr>
<td>Project Name</td>
<td>Country</td>
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<tr>
<td><strong>South-West Gissar project, Uzbekistan</strong></td>
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<td>7 fields, 2007 production sharing agreement until 2043, Lukoil entered the project in 2008 Shareholders: <strong>Lukoil – 50%</strong>, Uzbekneftegaz – 50% Since 2017 produces 5 bcm/a of natural gas</td>
<td></td>
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<tr>
<td><strong>Kandym-Khausak-Shady-Kungrad project, Uzbekistan</strong></td>
<td></td>
<td>2004 production sharing agreement Shareholders: <strong>Lukoil – 50%</strong>, Uzbekneftegaz – 50% Kandym gas processing complex (near Bukhara) with annual capacity of 8 bcm started its functioning in 2018, the consortium of equipment suppliers was headed by Hyundai Engineering (Republic of Korea)</td>
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<td><strong>West Qurna-2 field, Iraq</strong></td>
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<td>tender won for the development in 2009, start of commercial production in 2014</td>
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<tr>
<td><strong>Block 10 field, Iraq</strong></td>
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<td>won license for exploration in 2012 joint venture: <strong>Lukoil – 60%</strong>, Inpex - 40% active exploration work since 2014</td>
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<tr>
<td><strong>Ghasha concession, UAE</strong></td>
<td></td>
<td>9 offshore gas fields, entered project in 2019 Shareholders: <strong>ADNOC – 55%</strong>, <strong>ENI – 25%</strong>, <strong>Wintershall – 10%</strong>, <strong>Lukoil – 5%</strong>, <strong>OMV - 5%</strong></td>
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<td><strong>West-Esh El-Mahhala (WEEM) project, Egypt</strong></td>
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<td>entered project in 2002 Shareholders: Egyptian General Petroleum Company (EGPC) – 50%, <strong>Lukoil – 50%</strong></td>
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<td><strong>WEEM Extension project, Egypt</strong></td>
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<td>entered project in 2010</td>
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<td><strong>Meleiha project, Egypt</strong></td>
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<td>participant, contract until 2024</td>
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<tr>
<td><strong>Deepwater Tano/Cape Three Points, Ghana</strong></td>
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<td>entered project in 2014; 5 oil fields and 2 gas fields</td>
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<tr>
<td><strong>Deep offshore project OML-140, Nigeria</strong></td>
<td></td>
<td>entered project in 2014 Shareholders: <strong>NNPC – 30%</strong>, Oil and Gas Nigeria Limited – 30%, Chevron – 22% (operator), <strong>Lukoil – 18%</strong></td>
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<tr>
<td><strong>Deep offshore Etinde project, Cameroon</strong></td>
<td></td>
<td>acquired share in 2014 Shareholders: New Age Ltd – 30%, <strong>Lukoil – 30%</strong>, EurOil Ltd. (Bowleven) – 20%, Societe Nationale des Hydrocarbures – 20%</td>
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</tr>
</tbody>
</table>
**Marine 12, Kongo** entered project in 2019 by purchasing a stake in London-based New Age M12 Holdings
Shareholders:
- **ENI** – 65% (operator),
- **Lukoil** – 25%,
- **Societe Nationale des Petroles du Congo** – 10%

**Amatitlan block, Mexico** entered in 2015 with 50% using acquisition of Petrolera de Amatitlan S.A.P.I. from GPA Energy, increased the share in 2021 to 75%

**Block 10, Mexico** Shareholders:
- **Lukoil** – 20% (acquired in 2018 under swap agreement with ENI)
- **ENI** – 80%

**Block 12, Mexico** production-sharing agreement
Shareholders:
- **Lukoil** – 60%,
- **ENI** – 40%

**Block 28, Mexico**
- **ENI** – 75%,
- **Lukoil** – 25%

**Block 4, Mexico** acquired 50% share in February 2022 in Fieldwood Mexico B.V. another 50% - Petrobal (subsidiary of GrupoBAL)

**Houston, U.S.** Lukoil department, coordinating activities of overseas extractive projects

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**Infrastructure, refineries, retail networks and renewables**

<table>
<thead>
<tr>
<th>Location</th>
<th>Details</th>
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<tbody>
<tr>
<td>Zeeland refinery, Netherlands</td>
<td>Operator of terminal STR in Rotterdam port since 2005&lt;br&gt;<strong>acquired</strong> 45% stake in Total Raffinaderij Nederland (TRN, since 2011 – Zeeland refinery) in 2009 replacing Dow Energy, a partner of TotalEnergies Retail business since 2012 - network of 73 stations</td>
</tr>
<tr>
<td>Refinery ISAB, Italy</td>
<td><strong>acquired</strong> 49% stake in 2008, increased to 100% until the end of 2013&lt;br&gt;Third largest oil refinery in Europe</td>
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<tr>
<td>Petrotel refinery, Romania</td>
<td>bought refinery in 1999</td>
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<tr>
<td>Lukoil Neftechin Burgas</td>
<td>bought refinery in 1999</td>
</tr>
<tr>
<td>Renewables facilities, Romania</td>
<td>possibly owns <strong>50%</strong> of Land Power SA after <strong>dissolution</strong> of the former joint holding venture with ERG Renew SpA – operator of Topolog-Dorobantu wind farm (84 MW), serviced by Vestas and mostly financed by the <strong>EBRD</strong></td>
</tr>
<tr>
<td>Renewable facilities, Bulgaria</td>
<td><strong>photovoltaic station</strong> near Burgas commissioned in 2011</td>
</tr>
<tr>
<td>Oil terminal in Barcelona, Spain</td>
<td><strong>terminal</strong> commissioned 2012, Lukoil owns in partnership with Meroil (<strong>50% each</strong>)</td>
</tr>
</tbody>
</table>
### Caspian Pipeline Consortium, Kazakhstan/Russia

- **1996 agreement, 2001 start of operation**
- **Shareholders:**
  - Transneft – 31% (operator),
  - Kazmunaygas – 19%,
  - Chevron – 15%,
  - **Lukoil – 12.5%**, 
  - ExxonMobil – 7.5%,
  - Rosneft-Shell – 7.5%,
  - Shell – 2%,
  - ENI – 2%,
  - Kazakhstan Pipeline Ventures – 1.75%,
  - Oryx Caspian Pipeline – 1.75%

### Oil terminal and retail station network in Belgium
- **active since 2007, 188 stations**

### Retail network in Netherlands
- **74 stations**

### Retail network in Finland
- **433 stations (as of the end of 2019), owns local retail network Teboil and lubricant production facility**

### Retail network in Italy
- **Since 2010, 28 stations (predominantly Sicilia island and southern part of country)**

### Retail network in Serbia
- **since 2003, 114 stations (as of the end of 2019)**

### Retail network in Montenegro
- **10 stations**

### Retail network in Croatia
- **47 stations and 1 oil depot**

### Retail network in North Macedonia
- **since 2005, 31 stations**

### Retail network in Bulgaria
- **nearly 200 stations**

### Retail network in Romania
- **more than 250 stations**

### Retail network in Moldova
- **since 1995, more than 100 stations, 3 oil depots, 1 gas terminal**

### Retail network in Belarus
- **since 1992, 83 stations**

### Retail network in Georgia
- **since 2002, 55 stations (as of 2013)**

### Retail network in Azerbaijan
- **since 1995, 66 stations, 1 oil depot**

### Retail network in Turkey
- **since 2006, 610 stations (as of the end of 2015)**

### Retail network in Jordan
- **2 stations**

### Retail network in Saudi Arabia
- **8 stations**
| **Offshore petrol stations near west shores of Africa** | 2 stations under construction |
| **Offshore petrol stations in the Gulf of Oman** | 5 stations |
| **Retail network in Pakistan** | 4 stations |
| **Retail network in the U.S.** | 230 stations located in 11 states, predominantly in the north-eastern part of the country (foremost in New York, New Jersey and Pennsylvania; also in Washington DC) |

**Lubricants production and marketing**

<p>| Lubricants production facility in Vienna, Austria | owned by Lukoil Lubricants Europe, technical support by LLK-International |
| Lubricant production facility in Finland | No particular information, but is mentioned in the description of facilities owned by Lukoil Lubricants Europe |
| Lubricant production facility in Romania and own technical laboratory | owned by Lukoil Lubricants East Europe, technical support by LLK-International |
| Lubricant production facility in Izmir-Aliaga, Turkey | owned by Lukoil Lubricants Middle East, technical support by LLK-International, supplies the local Lukoil retail network and doing export operations |
| Offices in the U.S. (Baltimore) Germany (Hamburg), UAE and Hong Kong | Lukoil Marine Lubricants Inc. |
| Barzen Schmierstoffe GMBH &amp;Co.KG, Burkhardt-Oil, FUS GMBH Mineralöl, Nordoel Mineralölhandelsgesellschaft MBH, Öl und Schmierstoffhandel Bielefeld GMBH, Schmierstoffe FERG E.K., Sigmund Hoffmann GMBH &amp;CO.KG, Singer ÖL &amp; Technik GMBH, SIPS Dieter Döcker GMBH (Germany) | dealers of Lukoil lubricants |
| Albö, Klein Autoteile GMBH (Austria) | dealers of Lukoil lubricants |
| Smartlub Imports SASU (France) | dealer of Lukoil lubricants |
| Yumax Lubricom (Spain) | dealer of Lukoil lubricants |
| Basoni SRL, Campania Lubrificanti SRL, C.B.A, Dei Lubrificanti SPA, Centro Ricambi CEMA SPA, Daziano Lubrificanti, Dellarosa Lubrificanti Di, Dellarosa Renzo&amp;C.S.N.C., Drumoil SRL, Euroil Group SRL, Lubrificanti Firenze SRL, Maxlube, Pieffe Oil SRL, Plus Italia SRL, RBS SRL, Tecno Oil SRL, Transport SAS Di Taula, Umbra Lubrificanti SNC (Italy) | dealers of Lukoil lubricants |
| BZ Hungaria KFT, Gavex KFT, HPS Lub KFT (Hungary) | dealers of Lukoil lubricants |
| LubStar (Slovakia) | dealer of Lukoil lubricants |
| Euroleum s.r.o. (Czech Republic) | dealers of Lukoil lubricants |
| Krautil Portugal LDA (Portugal) | dealers of Lukoil lubricants |</p>
<table>
<thead>
<tr>
<th>Company Name</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Demalub BV (Belgium)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>Lukoil Netherlands B.V. (Netherlands)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>Noroil Lubricants AS (Norway)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>Bröderna Öhman AB, ESS Olieorder, Pay Back, Malmsgvist&amp;Edling AB, Sandbergs &amp; Jämtland AB (Sweden)</td>
<td>dealers of Lukoil lubricants</td>
</tr>
<tr>
<td>AS Erimell (Estonia)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>LOS (Latvia)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>OKSETA (Lithuania)</td>
<td>dealer of Lukoil Lubricants</td>
</tr>
<tr>
<td>Lukoil-Belarus, Arntek (Evrozapchast), Viland, Grand Auto, Dom Oil (Belarus)</td>
<td>distributors of Lukoil lubricants</td>
</tr>
<tr>
<td>Lukoil Lubricants Ukraine (Ukraine)</td>
<td>subsidiary</td>
</tr>
<tr>
<td>Lukoil-Moldova, Panoton, Brent Oil (Moldova)</td>
<td>distributors of Lukoil lubricants</td>
</tr>
<tr>
<td>Lukoil Lubricants East Europe (Romania)</td>
<td>subsidiary</td>
</tr>
<tr>
<td>Lukoil Lubricants Middle East Madeni Yag San (Turkey)</td>
<td>subsidiary</td>
</tr>
<tr>
<td>Lukoil-Georgia (Georgia)</td>
<td>distributor of Lukoil lubricants</td>
</tr>
<tr>
<td>Mosesco (Armenia)</td>
<td>distributor of Lukoil lubricants</td>
</tr>
<tr>
<td>Xazar Oil (Armenia)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>Lukoil Lubricants Central Asia (Kazakhstan, Uzbekistan, Kyrgyzstan, Tajikistan)</td>
<td>subsidiary</td>
</tr>
<tr>
<td>Haji Abdul Ghani (Afghanistan)</td>
<td>dealer of Lukoil lubricants</td>
</tr>
<tr>
<td>Lukoil Lubricants (China) Co Ltd. (China)</td>
<td>wholly owned foreign enterprise</td>
</tr>
<tr>
<td>American Petroleum Institute, U.S.</td>
<td>gave official approvals of Lukoil lubricants use, no information about renewals of permits</td>
</tr>
<tr>
<td>Jaguar Land Rover, UK</td>
<td>gave official approvals of Lukoil lubricants use, no information about renewals of permits</td>
</tr>
<tr>
<td>Renault, France</td>
<td>gave official approvals of Lukoil lubricants use, no information about renewals of permits</td>
</tr>
<tr>
<td>Mercedes Benz, BMW, Porsche, Germany</td>
<td>gave official approvals of Lukoil lubricants use, no information about renewals of permits</td>
</tr>
<tr>
<td>Volkswagen, Germany</td>
<td>gave official approvals of Lukoil lubricants use, extended cooperation in 2020</td>
</tr>
<tr>
<td>Volvo, Finland</td>
<td>gave official approvals of Lukoil lubricants use, no information about renewals of permits</td>
</tr>
<tr>
<td>Melitopol Motor Plant (subsidiary of AvtoZAZ), Ukraine</td>
<td>gave official approvals of Lukoil lubricants use, used for construction of cars (ZAZ Lanos, Zaz Vida, ZAZ Sens and formerly ZAZ Forza), no information about renewals of permits currently, the facility is under the Russian occupation</td>
</tr>
</tbody>
</table>
### Technological upgrading and other services

<table>
<thead>
<tr>
<th>Company</th>
<th>Details</th>
</tr>
</thead>
</table>
| **Baker Hughes Co, U.S.** | - **2011 contract** for drilling and full completion services for 23 wells on West Qurna-2 field in Iraq  
- **2021 Agreement** for collaboration on energy efficient technologies for the oil and gas sector:  
  - testing Baker Hughes electric submersible pumps with Lukoil’s leading permanent magnet motors (plans for launching joint pilot projects in Russia, Iraq, Egypt and U.S. until 2026);  
  - carbon reduction and energy efficiency initiatives – exploration of emissions mapping and abatement projects through the production chain of Lukoil’s overseas projects, enhancing oil reduction efficiencies for flaring combustion and additional applications in Lukoil’s overseas projects (a pilot project was planned in Uzbekistan);  
  - localization of Baker Hughes spoolable composite pipes to advance polymer production for producing alternatives to conventional steel pipes. |
| **Halliburton, U.S.**   | - In 2017, launched drilling operations on Zhuravlinaya area of the Vostochno-Taymyrsky license block for Lukoil  
- Mentioned Lukoil among its current clients while announcing about exit from Russia |
| **Weatherford, U.S.**   | - In 2012, won a tender for the delivery and service of multi-stage fracturing systems for Lukoil’s projects in Western Siberia  
- In 2019, signed two drilling contracts with unnamed Russian “major energy operators” until the end of 2022 worth $67 million in total; one of them performed in Eastern Siberia probably was signed with Gazpromneft; Lukoil is a feasible candidate to be the participant of another one in Western Siberia |
| **Schlumberger, France** | - In 2012, established the joint Center of Geologic Exploration Technologies in Moscow to prepare and integrate studies of promising assets in Lukoil’s license areas using advanced geological exploration technologies and equipment supplied by Schlumberger (with hardware and software support); operation area – assets in Western Siberia and overseas  
- Use of technologies for Lukoil projects:  
  - **Caspian Sea drilling:**  
    - Power Drive Xceed ruggedized rotary steerable system with EcoScope multifunction logging-while-drilling service;  
    - TeleScope high-speed telemetry-while-drilling-service;  
    - DBOS OnTime real-time drilling optimization service;  
    - MEGADRIL oil-base temperature-stable invert-emulsion drilling fluid system (Schlumberger subsidiary M-I SWACO);  
    - GABLOCK gas migration control cement system and LITEFIL cement additive for low-density slurries;  
    - TrackMaster CH cased hole whipstock system.  
  - **Lukoil-Nizhnevolszhskneft:**  
    - Geosphere reservoir mapping-while-drilling service;  
    - Participation in regional PetroTechnical Engineering Center;  
    - EcoScope multifunction LWD service for geomechanics surveillance and 3D modeling.  
  - **Lukoil-Komi:**  
    - usage of StingBlade bits with uniquely shaped Stinger elements combined with a PowerPak motor  
  - **Bayandinskoye field:**  
    - usage of Direct XCD drillable alloy casing bit |
<p>| <strong>Hyundai Engineering</strong> | - 2015 contract for construction of gas processing plant in Uzbekistan |</p>
<table>
<thead>
<tr>
<th><strong>Samsung Energy</strong></th>
<th><strong>technical support</strong> for Lukoil’s projects in Iraq</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Arctic and Cold Climate Solution Network</strong></td>
<td>Lukoil participates in the project aimed at elaboration of technological solutions of developing hydrocarbon fields in cold Arctic climate (target regions – Norway, Russia, Kazakhstan (Caspian Sea), Canada, U.S., Greenland)</td>
</tr>
<tr>
<td><strong>BASMIN (Barents Sea Metocean and Ice Network Project)</strong></td>
<td>Lukoil participates in the project aimed at ensuring safety and environmental protection while extracting on the continental shelf in cold climate <strong>Steering members</strong> – Equinor, Lukoil Overseas North Shelf, Lundin Norway, Shell Technology Norway, Eni Norge, Det Norske Oljeselskap. Other members – ConocoPhillips Skandinavia, KUFPEC Norway, DEA E&amp;P Norge, DONG E&amp;P Norge, OMV Norge, Repsol Exploration Norge, Wintershall Norge, Total E&amp;P Norge, ENGIE E&amp;P Norge</td>
</tr>
<tr>
<td><strong>BASEC (Barents Sea Exploration Collaboration)</strong></td>
<td>Lukoil participates in the project aimed at increasing efficiency of cooperation in the Barents Sea region <strong>Founders and members</strong>: Equinor, ENI Norge, Engie, Lundin, OMV</td>
</tr>
<tr>
<td><strong>Cmi2i, UK</strong></td>
<td><strong>performs</strong> Lukoil’s bondholder identification process after the adoption of new Russian financial legislation in April 2022</td>
</tr>
</tbody>
</table>

**Trading and storage activities**

<table>
<thead>
<tr>
<th>Reliance Industries Ltd., India</th>
<th>Most of 15 million barrels of crude <strong>ordered</strong> since April 2022 were delivered by Litasco</th>
</tr>
</thead>
<tbody>
<tr>
<td>MOL, Hungary</td>
<td><strong>Memorandum of Understanding</strong> with Litasco on cooperation, long-term supply agreement</td>
</tr>
<tr>
<td>Nigeria National Petroleum Company, Nigeria</td>
<td>Litasco <strong>regularly supplies</strong> Nigeria; in February, there was a <strong>scandal</strong> because of selling of methanol-blended petrol</td>
</tr>
<tr>
<td>Chinese market</td>
<td>Lukoil supplies gas from Uzbekistan to China (<strong>ceased</strong> due to the COVID-19 pandemic, now <strong>returning back</strong>)</td>
</tr>
<tr>
<td>Naturkraft (at the Ölhafen site), Austria</td>
<td>Lukoil <strong>purchases</strong> ‘green’ electricity for its local operations</td>
</tr>
<tr>
<td>Litasco in the U.S.</td>
<td>has a local trading affiliate</td>
</tr>
<tr>
<td>Litasco in the Netherlands</td>
<td>has a local trading affiliate</td>
</tr>
<tr>
<td>Litasco in Kazakhstan</td>
<td>has a local trading affiliate</td>
</tr>
<tr>
<td>Litasco in Singapore</td>
<td>has a local trading affiliate</td>
</tr>
<tr>
<td>Representative office in Hong Kong, China</td>
<td>Litasco <strong>office</strong></td>
</tr>
<tr>
<td>Representative office in India</td>
<td>Litasco <strong>office</strong></td>
</tr>
<tr>
<td>JANAF (Jadranski naftovod), Croatia</td>
<td>fuel storage contract with Litasco until <strong>March 2023</strong></td>
</tr>
<tr>
<td>Storage capacities in the Netherlands and Belgium</td>
<td>in Amsterdam, Rotterdam, and Antverpen</td>
</tr>
<tr>
<td>Storage capacity in France</td>
<td>link</td>
</tr>
<tr>
<td>Storage capacity in Malta</td>
<td>link</td>
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<tr>
<td>Storage capacity in Vietnam</td>
<td>link</td>
</tr>
<tr>
<td>Storage in Singapore</td>
<td>link</td>
</tr>
</tbody>
</table>
The following measures are required to expand sanctions in order to prevent Lukoil from generating profits for the Kremlin's regime and decrease the influence of the Russian energy industry internationally.

1. Expand sanctions on Lukoil and its leadership. First, Lukoil should be included in the list of Russian companies indicated in the Directive 3 under Executive Order 14024 prohibiting any U.S. person from engaging with any new debt or new equity, provision of financing or other dealings in property or transactions longer than 14 days with these entities.

Second, Vagit Alekperov with his family members should be included in the U.S. and EU personal sanctions lists, as we believe he continues executing control over Lukoil's operations even after resignation.

Third, Lukoil and its subsidiaries should lose the privileges of exploiting respected venues of corporate lobbying in Western institutions, which are provided by their participation in an extensive number of business associations, such as Lukoil's membership in FuelsEurope and Litasco's participation in STSA (Swiss Trading & Shipping Association), GEM (Groupement des Entreprises Multinationales) and CCIG (Geneva Chamber of Commerce, Industries and Services). The intrusion of local policymakers and international diplomatic advocacy are crucial to cut these ties.

Additionally, Litasco is also an important player in redirecting Russian supplies to the non-European markets. The media provided the information that most of the 15 million barrels of Russian crude, contracted by Reliance Industries Ltd. (operator of two refineries at Jamnagar complex in the western part of India), was supplied by Litasco. Therefore, it is essential to introduce special sanctions against this company not allowing it to sell oil from Russia to any destinations.

2. Target Lukoil’s trading subsidiary Litasco. Argus reported that, in the first week after the introduction of UK sanctions on Russia prohibiting the imports of Russian oil, two Litasco-ordered vessels delivered oil to the UK and were allowed to do so as the British sanctions have not expanded on the Swiss-registered company. Therefore, it is unsurprisingly that currently Litasco feels confident and remains the biggest supplier of Russian flagship Urals crude, having booked tankers to transport 14 million barrels of crude in April 2022 and 8.6 million barrels in May (as of May 17).

Additionally, Litasco is also an important player in redirecting Russian supplies to the non-European markets. The media provided the information that most of the 15 million barrels of Russian crude, contracted by Reliance Industries Ltd. (operator of two refineries at Jamnagar complex in the western part of India), was supplied by Litasco. Therefore, it is essential to introduce special sanctions against this company not allowing it to sell oil from Russia to any destinations.

3. Impose sanctions on Eiger Shipping SA and monitor the compliance with existing restrictions of other vessel operators carrying Lukoil’s oil to the world market. It should prevent Lukoil from using the same vessels for redirecting cargoes to Asian markets and still getting revenues. EU sixth package of sanctions adopted in June provides for the prohibition of financing and insurance certification of shipping of Russian oil to EU and third countries done by EU operators. It should be implemented after the end of transition period of six month. Nevertheless, EU vessel operators still are allowed to carry Russian oil to the third countries.

Additionally, it is essential to closely monitor the possible sale/rent of vessels or other manipulations to prevent the possible bypassing of any shipping sanctions. E.g., in 2021 the media have reported that the vessel Tavricheskiy Bridge was chartered by Litasco: despite having Russian name and being used by the subsidiary of the Russian company, this ship formally makes its operation under the flag of Liberia. That allows it to circumvent restriction on Russian vessels coming to EU port cities imposed by fifth sanction package.
Also, the transportation of crude oil from Russia is allowed in case if but the origin of oil and oil products is non-Russian and Russia is only a transit country (Council Regulation (EU) 2022/879 of 3 June 2022, clause 21). Such exception will allow to transport Kazakh oil to EU markets. Despite that, it is crucial to prevent the possible manipulations allowing vessels under third countries’ flags transport Russian oil from Novorossiysk with fake documents about its origin in Kazakhstan.

4. Enforce U.S. secondary sanctions on the trading of Russian oil in any form. Transporting Russian crude oil and/or refined products by the companies formally registered abroad or diverting it to alternative markets are two main ways of circumventing the restrictions and minimizing the effect of Western sanctions, allowing Putin to continue his war in Ukraine. Deliveries to India have been substantially increased since the start of the Russian invasion. Despite Russia having no infrastructural abilities for the full substitution of its supplies to the European market, the flow of revenues even from highly discounted fuel will keep Putin’s regime finances afloat for some time.

For that reason, the enforcement of secondary sanctions on trading of Russian oil, similar to those introduced against Iran by the U.S. in 2018, will be the most effective instrument for reducing revenues from oil trading to the Russian war budget.

The trading of lubricants is another important venue which needs to be closed by the introduction of secondary sanctions. Lukoil has distributors in many countries, which could be not target of the U.S. sanctions as having no operational activities in America. However, secondary sanctions still could be effective in cutting Lukoil’s connections with its EU-located dealers and with major car makers in the UK and Germany which have approved its production for the use of their engines (most permits need to be prolonged on a timely basis).

5. Consider acquiring Lukoil’s assets in Europe and U.S. (by nationalization or forced sale). In the EU, Lukoil fully owns three refineries (in Romania, Bulgaria and Italy) and three lubricants production facilities (in Austria, Romania and Finland). The rumors circulated in the media include that the Italian government considers the nationalization of the ISAB facility accounting for 22% of total refining capacity located in Italy due to the possible problems of the enterprise hit by self-sanctioning behavior of its contractors which have feared the following introduction of sanctions on ISAB’s Russian owners.

The ownership over strategic assets abroad provides the Russians an opportunity to blackmail contractors and, therefore, influence the position of other countries in favor of minimizing sanctions against the Kremlin. E.g., Lukoil’s representative in Bulgaria has already warned publicly that Neftochim Burgas refinery is dependent on Russian oil supplies and the introduction of a full embargo will cause the stoppage of the facility (despite the Bulgarian Deputy PM Asen Vasilev has claimed only half of the refinery’s imports currently comes from Russia and that the full substitution of Russian oil is technically feasible influencing only the increase of price).

It is not surprising that Bulgaria obtained special temporary derogation from Russian oil import ban indicated in sixth EU sanctions package (clause 18).

Therefore, the mechanism of establishing control over energy assets for providing the security of supply in emergency circumstances, already adopted in Germany, needs to be proliferated to other countries as the first step towards ensuring the full exodus of Russian energy companies. Adopting this initiative on the general European level or by issuing similar national legislation would be a preferable option.

Additionally, Lukoil has a lot of retail networks abroad. Despite many chains in Western countries being owned mostly by franchisees not directly related to Lukoil and Russia, they still bring revenues to Lukoil by paying money for using its brand. Therefore, this issue needs to be solved. The City Council of Newark (New Jersey, U.S.) has already suspended the licenses of two local franchises of Lukoil North America retail business (there are in total 230 Lukoil-branded stations located in 11 U.S. states, predominantly in the north-eastern part of the country, foremost in New York, New Jersey and Pennsylvania). Similar decisions need to be implemented on the state or federal level in the U.S. and on the national level in the EU.
6. Prevent the transfer of Western technologies directly or through third parties to any of Lukoil's assets in Russia or abroad. Apart from using Western technologies for increasing efficiency of its operation, Lukoil is actively participating in the Russian national program of import-substitution. Current sanctions regime concentrates only on prohibition of new equipment deliveries to Russian geographical territory. Such an approach has left a lot of loopholes which could not prevent many cases of Russian technological modernization. E.g., Lukoil has signed an agreement with Baker Hughes and Co which presupposes technical cooperation abroad (including territories of the U.S., Uzbekistan, Egypt and Iraq). Lukoil participates in a couple of initiatives (BASMIN, BASEC, Arctic and Cold Climate Solution Network) which allow the transfer of skills and experience among the producers having assets in the Barents Sea, on the Norwegian continental shelf and other cold climate regions. Additionally, Lukoil’s Center of Geologic Exploration Technologies launched with Schlumberger in 2012 also partially covers projects overseas and, as being established ten years ago, should have the needed equipment and knowledge to continue operations even without the ability to get new equipment.

Additionally, Lukoil has expanded its cooperation with the Russian state-owned companies. In 2022, Lukoil acquired 50% in Gazpromneft subsidiary Meretoyakhaneftegaz LLC to develop extractive projects in the Yamal-Nenets Autonomous Region, one of the key prospective areas for increasing production of hydrocarbons in Russia. Having extensive cooperation with many companies abroad, Lukoil could potentially be used as an intermediary for transferring some foreign technological solutions from its foreign projects for its activities on the Russian territory helping not only Lukoil but also its Russian state-owned partners.