



## SAKHALIN ENERGY AND THE SAKHALIN II PROJECT

- The Sakhalin Oblast area is a new oil and gas production centre of global significance. Its offshore hydrocarbon resources are estimated to be 45 billion barrels of oil equivalent, which is comparable to the total volume of undeveloped offshore reserves in the North Sea.
- Sakhalin Island is known for its severe natural and climatic conditions: short “windows” to fulfil certain works, rugged topography (hill, marshes, valleys, forests, thousands of rivers), an increased seismic activity zone, and a fragile ecosystem, all requiring careful handling.
- Sakhalin Energy was founded in 1994 to implement the Sakhalin II project under the conditions of the Production Sharing Agreement (PSA).
- Shareholders of Sakhalin Energy are: OAO Gazprom – 50% plus 1 share, Royal Dutch Shell – 27.5% minus 1 share, Mitsui – 12.5% and Mitsubishi – 10%.
- The Sakhalin II project is the world-largest integrated oil and gas project. Two oil and gas fields are being developed in the offshore area off the north-eastern coast of Sakhalin – the Piltun-Astokhskoye field (mostly oil) and the Lunskeye field (mostly gas).
- The Project is conducted in two phases. Under Phase 1, seasonal offshore oil production was carried out from the Astokh area of the Piltun-Astokhskoye field from July 1999 until December 2008.





- Phase 2 started in 2003, to include the full development of both oil and gas fields, year-round oil and gas condensate production and export, as well as production of liquefied natural gas (LNG). For this purpose, a new oil and gas infrastructure has been established, including three offshore platforms, offshore pipelines, the onshore TransSakhalin pipeline system, an onshore processing facility, an oil export terminal and the first Russian liquefied natural gas plant.
- Year-round oil production and export, under Phase 2 began in December 2008.
- A fleet of five gas tankers and four Aframax oil tankers will be used by Sakhalin Energy to transport hydrocarbons under the Sakhalin II project to the Asia Pacific region and North America. Around ten LNG customers and some oil customers will use their own vessels to transport hydrocarbons.
- Project construction works have been carried out in nine of 18 districts of the Sakhalin Oblast populated by 70% of the overall Sakhalin population. The construction peak involved over 25,000 employees from 36 countries. More than 70% of them were Russian nationals.
- The total value of contracts signed with Russian companies by the end of 2008 was US\$ 13.9 billion. Through their involvement in the Sakhalin II project, Russian companies gain practical experience in international business cooperation, implement newly developed technologies and improve labour safety and service quality standards.
- The Infrastructure Upgrade Programme, with a total investment of more than US\$ 500 million, includes the reconstruction and repair of roads and railways, health facilities, telecommunications networks and other infrastructure facilities.
- Under the Sustainable Development and Social Initiative Support Programme, total investments since 1994 have amounted to more than US\$ 35 million. The Company finances projects in environmental protection and biological diversity, business and infrastructure development, education, health and sports, and road safety.