

# APG UTILIZATION AND FLARING REDUCTION

Since 2017, we have been a member of the World Bank's "Zero Routine Flaring by 2030" initiative and committed to reducing APG flaring through further technologically achievable APG utilization.

Since 2003, Russian entities have been implementing an investment program for the sustainable use of APG<sup>1</sup>, including measures for the construction of new facilities and reconstruction of facilities for APG preparation, transportation and processing that have been in operation for a long time. In 2020, 12 projects of the program were completed in the Perm Territory, the Komi Republic, and in the Khanty-Mansi Autonomous Area — Yugra.

As part of the "Zero Routine Flaring by 2030" initiative, two investment projects are being implemented in the Perm Territory and the Khanty-Mansi Autonomous Area — Yugra in Russia. In 2020, the project to construct a system for collecting and transporting APG from the Zhilinskoye, Belskoye, and Rostovitskoye fields (Perm Territory) was fully completed. The project began in 2018, and the targets were set during the planning phase. Upon completion of the project in 2020, all the targets were achieved.

- The volume of APG flaring decreased over three times (from 17.8 million to 5.3 million cubic meters).

- The APG utilization increased from 87.8% to 97.1%.
- The volume of GHG emissions decreased by 44 thousand tonnes of CO<sub>2</sub>E per year (from 62.5 thousand to 18.5 thousand tonnes of CO<sub>2</sub>E).

Design and survey work has been completed under the second project, "Reconstruction of the Povkhovskaya Compressor Station". Compressor equipment will be supplied and the elements of the APG collection system will be installed in 2021. The expected date of completion of the project is 2022.

In 2020, the level of efficient APG use across LUKOIL Group increased to 97.8 percent. Since 2016, this indicator has grown by 5.7 percentage points.

## Total volume of APG flaring and APG utilization rate across LUKOIL Group

	2016	2019	2020
<b>Total volume of APG flaring, million cubic meters</b>	952.5	309.534	275.556
including:			
• Russian entities	937.6	298.933	269.271
• Foreign entities	14.9	10.601	6.285
<b>APG utilization rate, %</b>	92.1	97.6	97.8
including:			
• Russian entities	91.7	97.5	97.7
• Foreign entities	98.1	98.9	99.4

### Note.

The indicator boundaries include the following Russian and foreign entities (based on the PJSC LUKOIL shares in the projects): LUKARCO B.V. (Tengiz project in Kazakhstan), LUKOIL Overseas Kumkol B.V. (Kumkol project in Kazakhstan<sup>2</sup>), and LUKOIL Upstream Congo SAU (Marine XII project in Republic of the Congo). In Egypt and Iraq, in accordance with the concluded agreements, APG is not subject to production sharing, and the entire volume of APG produced is contractually owned by the host countries.

<sup>1</sup> The program covers a 3-year period and is revised and approved by management of PJSC LUKOIL on an annual basis. The program for 2020–2022 was approved in 2019. During the previous reporting period, the program for 2019–2021 was in effect.

<sup>2</sup> PJSC LUKOIL withdrew from the project in December 2020; the data is shown until the end of the license period, i.e. until 10 December 2020 inclusive. Marine XII project in the Republic of the Congo was included in reporting in 2019.