

Through their operations energy companies create significant amounts of greenhouse gas emissions, which can affect the climate and lead to the emergence of risks that are significant for a wide range of stakeholders. Climate change may present a threat to the lives and health of the people, flora, and fauna of the planet, and hence we share worldwide concerns over this topic.

LUKOIL is making concerted efforts to more accurately determine the scale of Group entities' impacts on the climate, to create long-term goals to mitigate impacts, and to assess the amount of investment needed to attain these goals.



**Target 7.3.**

By 2030, double the global rate of improvement in energy efficiency.



**Target 13.1.**

Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

**Climate-related risks**

Risks associated with climate change are gaining increasing attention, both from governments and the investment and financial communities.

Systemic climate-related risks include physical damage to production assets as a result of severe weather problems or natural disasters; transition risks (in the transition to a low-carbon economy), risks associated with a reduction in demand for traditional products, as well as legal and regulatory risks, etc.

Source of information: International Environmental Law Committee Newsletter

The connection between global warming and greenhouse gas emissions is still a topic of discussion within the scientific community, but most global initiatives (including UN initiatives and programs) are based on the conclusion from scientific studies that global warming is tied to industrialization and growth in

industrial production. European Union countries have set a goal to reduce greenhouse gas emissions by at least 20%<sup>1</sup> by 2020, chiefly by transitioning from fossil fuels to renewable sources of energy.

LUKOIL takes climate change risks into account when determining the Integrated Scenario Conditions (ISC), which are used to develop its strategy, assess investment projects, and create annual and medium-term plans. The ISC baseline factors in the impacts of Paris Agreement goals on the global balance of primary energy consumption. The fuel efficiency of cars is expected to rise in the largest economies over the medium term, electric and natural gas vehicles will come more to the fore, and the use of renewable energy sources will continue to grow. In order to assess risks and to test the sustainability of the Company's strategy, we also developed a scenario which envisages an accelerated reduction in the consumption of hydrocarbons in the transportation sector.

We monitor and analyze business trends related to climate change, and implement programs and projects to

reduce the LUKOIL Group's greenhouse gas emissions wherever possible.

There are dedicated programs in place to reduce the flaring of associated petroleum gas (APG), to develop green energy based on renewable energy sources, and to improve overall energy efficiency. We believe that effecting general improvements to business processes and making timely adjustments to the consumer basket and staying abreast of changes in the operational environment are equally important tasks. Looking ahead to the wider use of electric cars, we are installing charging stations at our filling stations and have signed a partnership agreement with Gazprom on expanding the use of natural gas vehicle (NGV) fuel.

Our medium-term goal is to reduce by 2020 greenhouse gas emissions by 1.2% compared to the 2016 level. We will accomplish this chiefly through measures to boost the utilization of associated petroleum gas, energy conservation programs, and the use of alternative energy sources.

<sup>1</sup> Compared to the 1990 level.