

GREENHOUSE GAS EMISSIONS

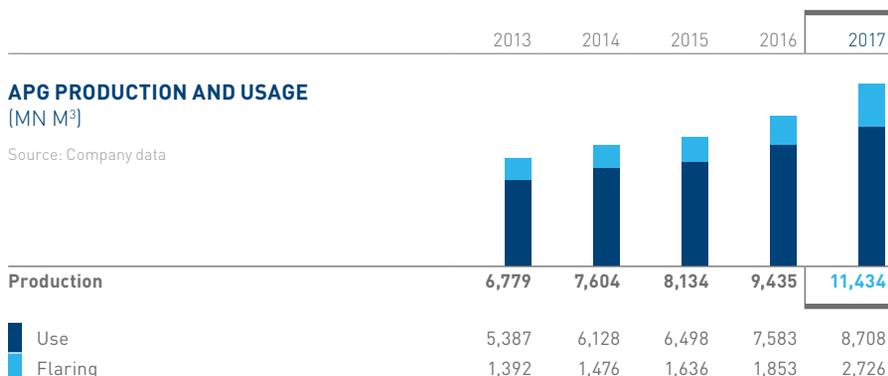
Gazprom Neft supports the implementation of the Paris Climate Agreement, which aims to combat climate change,¹ and the Concept to Form a System of Monitoring, Reporting, and Verifying Greenhouse Gas Emission Volumes in the Russian Federation and also adheres to national legislation on a reduction in greenhouse gas emissions and manages the quantitative determination of the volume of greenhouse gas emissions.

The Company is developing risk management system associated with hydrocarbon regulation and also assesses and monitors greenhouse gas emissions generated by its operations. Emissions are assessed based on the following aspects:

- direct greenhouse gas emissions related to the flaring of hydrocarbon fuel and substances, the operation of production facilities, and process losses

- indirect energy emissions related to the consumption of third-party electricity, heat, steam, or cooling

Gazprom Neft is developing a programme to increase the use of associated petroleum gas use at all its production assets. The Company's key goal is to increase the level of APG utilization to 77.7% in 2018, 90.2% in 2019, and 95% by 2020. The Company used 76.16%² of its APG in 2017.



¹ — Agreement as part of the United Nations Framework Convention on Climate Change, which regulates measures to reduce carbon dioxide in the atmosphere starting from 2020. The agreement was signed on 22 April 2016.

² — Volume of APG utilization at the Company's own assets excluding joint ventures. Gazprom Neft Shelf was included in this calculation for the first time in 2017.

³ — The increase in indirect greenhouse gas emissions in 2017 was due to a change in the Company's assets included in the calculation in connection with the enactment of Order No. 330 of the Ministry of Natural Resources and Environment of the Russian Federation dated 29 June 2010 "On the Approval of Methodological Guidelines for the Quantitative Measurement of the Volume of Indirect Energy Emissions of Greenhouse Gases". Accounting had previously included a limited number of the Company's subsidiaries that are certified according to ISO 14001. Starting from 2017, accounting has been carried out for all enterprises of the Gazprom Neft Group.

KEY PROJECTS FOR APG UTILIZATION IN 2017:

- the commissioning of fuel gas units to meet the fuel needs of a gas turbine power plant at the East Messoyakha deposit
- an increase in APG consumption for oil treatment due to an increase in the extraction of production fluids at Messoyakhaneftegaz JSC and the transition of the gas turbine power plant's fuel supply from natural gas to APG
- the commissioning of a 96 MW gas turbine power plant and an APG compression unit at the facilities of the Novoportovskoye field to support the injection of APG into the formation
- the commissioning of compressor stations at the Shinginskoye and West Luginetskoye fields

The higher amount of flared APG is due to an increase in oil production at the East Messoyakha, Novoportovskoye, and Urmano-Archinskoye fields. The construction of infrastructure for APG utilization at these assets is in the final stage.