

APPENDIX 2. COMPANY HISTORY

1995

Siberian Oil Company ('Sibneft')

Siberian Oil Company ('Sibneft') was formed by the decree of the President of the Russian Federation. The company was established by the government, which transferred its interest in the country's oil majors, including Noyabrskneftegaz, Noyabrskneftegazgeophysika, the Omsk Refinery and Omsknefteprodukt, to the holding company's authorised capital.

1996–1997

Sibneft was privatised

To develop market economy, the Government of the Russian Federation implemented the Sibneft privatisation plan. In 1996, private investors acquired 49% of the company share capital through auctions. In 1997, Financial Oil Company won the auction to sell the government interest in Sibneft as part of the Shares for Loans government programme.

1998–2004

Asset build-up

By implementing an aggressive growth strategy, Sibneft significantly expanded the geography of its production (the Tomsk Oblast and the Omsk Oblast) and sales network (the Sverdlovsk Oblast and the Tyumen Oblast, the Krasnoyarsk Krai, St Petersburg and Moscow). The company's major acquisitions during that period include the purchase of a 49.9% holding in Slavneft, which produces oil and gas in Western Siberia and the Krasnoyarsk Krai.

Strong growth

A strong resource base, efficient refining assets and highly professional executives are the core drivers of the company strong growth. Sibneft executives significantly upgraded production facilities, introduced cutting-edge technologies and streamlined business processes.

2005

Gazprom acquires controlling interest in Sibneft

The controlling interest (75.68%) in Sibneft was acquired by the Gazprom Group. On 13 May 2006, the company was renamed Gazprom Neft. The company priorities in development included strategic goals to become a global player with a regionally diversified portfolio of assets across the entire value chain.

2006

Coming onto the market in Central Asia

Gazprom Neft came onto the market in Central Asia and established a subsidiary, Gazprom Neft Asia, selling the company's petroleum products in Kyrgyzstan, Tajikistan and Kazakhstan.

2007

Acquisition of Tomskneft JSC

In December 2007, the company acquired 50% of shares in Tomskneft VNK, which produces oil and gas in the Tomsk Oblast and the Khanty-Mansi Autonomous Okrug-Yugra, to continue expanding its resource base.

Splitting business lines

Separate business units were set up by line of business, including Gazpromneft Marine Bunker, Gazpromneft-Lubricants, and Gazpromneft-Aero.

2008

Projects in Venezuela

In 2008, Gazprom Neft, Rosneft, Lukoil, TNK-BP and Surgutneftegas signed a memorandum of understanding on cooperation and joint participation in projects in Venezuela as part of the National Oil Consortium.

2009

Expanding the resource base

Gazprom Neft expands its resource base and refining capacities by acquiring Naftna Industrija Srbije A.D., Novi Sad (NIS), and controlling interest in Sibir Energy, while also increasing its share in the Moscow Refinery and getting access to the Salym oil fields. In April 2009, Gazprom Neft completed a transaction with Chevron Global Energy to purchase Chevron Italia s.p.a., an oils and lubricants production plant located in Bari (Italy). Launch of a major rebranding programme for the Gazprom Neft retail network was a milestone for the company.

2010

Global oil and gas market

Gazprom Neft continued rapid expansion on the global oil and gas market, signing a contract to develop the Badra field in Iraq, and being appointed to lead the Junin-6 project in Venezuela. The company continued to come onto new fuel markets outside Russia.

For instance, it acquired a retail network of 20 filling stations and nine land plots in Kazakhstan.

It also expanded its presence on the Russian market by joining a project to develop promising fields in the north of the Yamalo-Nenets Autonomous Okrug covered by SeverEnergia development licences. In February, Gazprom Neft completed a transaction to buy STS-Service, a subdivision of the Swedish company Malka Oil, which develops fields in the Tomsk Oblast.

2011

Production growth

Gazprom Neft gave a major boost to its production by ensuring more efficient development of the existing fields and acquiring new assets. The company bought 5.15% of shares in the Serbian company NIS, having increased its total interest to 56.15%, became the sole shareholder of Sibir Energy and acquired its first assets in the Orenburg Oblast – the Tsarichanskoye and Kapitonovskoye fields, as well as the Eastern block of the Orenburgskoye field. Drilling started at the Badra field in Iraq.

Premium-class fuels

The company started producing Euro 4 fuels at its refineries, and launched sales of the new G-Drive premium-class motor fuel via its own retail network. The company expanded the geography of its filling stations operation by coming onto the market in the Southern Federal District of the Russian Federation.

High-quality bitumen materials

The company implemented a project on preparing feedstock for bitumen production at the Omsk Refinery, ensuring stable quality of feedstock for bitumen production, and the high quality of products manufactured by a processing facility. In 2011, a manufacturing unit for polymer-bitumen binders and bitumen emulsions supplied by the Italian company MASSENZA was launched.

2012

Leadership in efficiency

Gazprom Neft is the Russian leader in terms of hydrocarbon-production and refining growth rates, along with a range of efficiency indicators. The company started pilot oil production at two new major fields in the north of the Yamalo-Nenets Autonomous Okrug (the Vostochno-Messoyakhskiye and Novoportovskoye fields). The first stage of commercial production started at the Samburgskoye oil and gas condensate field owned by the Russian-Italian company SeverEnergiya, in which Gazprom Neft has a 25% holding.

The formation and development of a new production cluster continued in the Orenburg Oblast. The company entered into new upstream projects in Iraq. The Moscow Refinery started producing Euro 4 gasolines, while the Omsk Refinery launched production of Euro 4 and Euro 5 gasolines, and the Euro 5 diesel fuel. Gazprom Neft started developing a sales network in Europe (in Serbia and Romania) under the GAZPROM brand.

Opening the GeoNavigator Drilling Control Centre

To enhance the efficiency of advanced well construction, Gazprom Neft set up the GeoNavigator Drilling Control Centre. Its work is mainly based on the geo-steering technology, which involves quickly obtaining information on the geological model of a field, with adjustments made to the well trajectory in accordance with that. The use of cutting-edge technologies allows transferring data to the Drilling Support Centre during drilling without delay. New information is shown as part of the existing geological model of the field.

2013

Strategy

The Gazprom Neft Board of Directors approved the company Development Strategy extended through 2025. The document provided for developing the Strategy to 2020, determining the ways of achieving the previously set targets in the key business segments – hydrocarbon production, refining, and petroleum product sales – taking into account changes in conditions in the industry and global economic environment. Until 2025, the company will continue to increase shareholder value. The strategies for the developing the company's bunkering, aviation-fuel and lubricants businesses were also updated until 2025.

Start of production on the Arctic Shelf

In December 2013, Gazprom Neft produced the first oil on the Arctic Shelf at the Prirazlomnoye field in the Pechora Sea. The company was an operator at that field.

Euro 5 fuels

The catalytic-cracking gasoline hydrotreatment units and light naphtha isomerisation facilities were commissioned at the Gazprom Neft Moscow Refinery. That allowed the plant to fully switch to the production of Euro 5 gasolines. Thus, all Gazprom Neft refineries switched to Euro 5 fuels, ahead of the deadlines set by the Technical Regulations of the Russian Federation.

Bitumen business development

The company acquired assets in Russia (Ryazan) and Kazakhstan to develop its bitumen business. In 2013, Gazprom Neft and the French oil company Total established a joint venture to produce and sell polymer-modified bitumen for road construction under the G-Way Styrelf brand, and bitumen emulsions at the Moscow Refinery.

2014

Developing production projects

Gazprom Neft got the first oil at the Badra field in Iraq, and started commercial supply of oil into the Iraqi pipeline system. The company also shipped oil from the Novoportovskoye field in summer, which was the first time when feedstock was transported from the field to European consumers by sea.

Arctic Shelf production

The company produced the millionth barrel of the new Arctic crude blend (ARCO) at the Prirazlomnoye field. Drilling of a new exploration well started at the Dolginskoye oil field on the Pechora Sea shelf.

New licences acquired

Gazprom Neft obtained licences for the Kuvaysky and Yagodny licence blocks in the Orenburg Oblast. The resources of those blocks can help maintain and increase the company oil production.

2015

New capacities commissioned

Gazprom Neft and SIBUR launched Yuzhno-Priobsky Gas Processing Plant (GPP)

Russia's best employer

Gazprom Neft became Russia's Best Employer in the 2015 Russia's Best Employers ranking released by HeadHunter, up two places from last year.

New licences acquired

Gazprom Neft acquired the licence to develop the Zapadno-Yubileynoye field in the Yamalo-Nenets Autonomous Okrug, and several new licences – for the Yuilsky-3, Lyaminsky-6, Severo-Ityakhsky-1, Maloyugansky and Zapadno-Zimny licence blocks – in the Khanty-Mansi Autonomous Okrug-Yugra.

Oil production

Gazprom Neft produced the millionth tonne of ARCO oil at the Prirazlomnoye field, with the one-million tonne/barrel milestones also reached at the Badra field in Iraq and the Sarqala field in the Kurdistan Region of Iraq.

2016

Arctic assets

Gazprom Neft completed commissioning of all its Arctic assets, including the Prirazlomnoye and Novoportovskoye fields, the Messoyakha group of fields, and the Arctic Gates terminal in the Gulf of Ob.

Catalyst production

Gazpromneft Catalytic Systems was set up as part of the Gazprom Neft Group to implement a project on building cat-cracking catalyst and hydroprocessing-catalyst production facilities. That project was given a status of the national project by decision of the working group of the Ministry of Energy of the Russian Federation.

Rospolychem acquisition

In June 2016, Gazpromneft—Lubricants Ltd. acquired 100% of Rospolychem Group shares, and got an asset with a full production cycle for complex esters.

NOVA-BRIT acquisition

Gazpromneft Bitumen Materials acquired a 75% holding in the charter capital of NOVA-BRIT, a company specialising in the production of bituminous sealants under the BRIT® brand for construction, repair and maintenance of motorways, airfields, etc.

Opening an R&D centre

Gazprom Neft opened the largest and the most high-technology specialist bitumens research and development facility (R&D Centre) in Russia.

2017

New fields discovered

The new promising Neptune field with 415 mt of oil reserves in place was discovered on the shelf of the Sea of Okhotsk near Sakhalin Island. Another new field was discovered in the Khanty-Mansi Autonomous Okrug. Its proved and probable reserves amounted to 2.74 mtoe. The field was named after the company former head of production Alexander Zhagrin.

The Bazhenov Technology Centre national project

The Ministry of Energy of the Russian Federation gave the 'Developing Domestic Technologies and High-technology Equipment to Develop Reserves at the Bazhenov Formation' project the status of a national project. Creation of the Bazhen Technology Centre in the Khanty-Mansi Autonomous Okrug-Yugra started.

Digital Upstream Control Centre

Gazpromneft-Khantos launched the Upstream Control Centre as part of the Digital Field programme. The centre combined solutions for improving production efficiency and created the single integrated environment.

Deep conversion at the Pančevo Refinery

Naftna Industrija Srbije (NIS, with 56.15% of shares owned by Gazprom Neft) started the construction of a new deep-conversion facility based on delayed coking technology at the Pančevo Refinery (Serbia).

Biological treatment facilities at the Moscow Refinery

Gazprom Neft completed the construction of the cutting-edge Biosphere biological treatment facilities at its Moscow Refinery. Overall, the company invested €9 billion in that project.

2018

New strategy to set a global industry benchmark

The Gazprom Neft Board of Directors approved the new Strategy-2030 for the company to become a global industry benchmark in terms of performance, technology and safety.

To implement the Strategy, the company needs to adapt to new approaches and external challenges. To achieve that, the company launched a major operational, organisational, cultural and digital transformation covering all aspects of its operations.

Advanced icebreakers

Gazprom Neft completed its Arctic fleet of support vessels, including the Alexander Sannikov and Andrey Vilkitsky icebreaker vessels, both being the most high-technology and powerful vessels in their class, and featuring zero emissions just like all other Gazprom Neft's facilities. The icebreakers support the company tankers en route along the Gulf of Ob from the Arctic Gate terminal to the floating storage tanker in the Kola Bay.

New fields discovered

The Triton field with 137 mtoe of hydrocarbons in place was discovered in the Sea of Okhotsk near Sakhalin Island. It became the second field found in that area, which shows that the company new strategic production cluster was formed in the Russian Far East.

A total four new fields, and 27 hydrocarbon deposits, were discovered at Gazprom Neft licence blocks and recorded in the Russian State Register of Mineral Reserves in 2018.

New approach to geological exploration

Gazprom Neft established Gazpromneft-GEO, a competency centre for managing large-scale geological-exploration projects. It is aimed at integrating the company financial and management resources in relation to geological exploration, ensuring turn-key project management and stable replenishment of the company resource base with new cost-effective reserves.

Efficiency Control Centre

The Gazprom Neft Downstream Efficiency Control Centre (DECC) became fully operational. It was designed to manage performance throughout the value chain, from oil delivery to refineries to petroleum-product sales to consumers, as part of a single digital platform. That involves using predictive analytic tools, neural networks, artificial intelligence, and digital twins of production facilities. The automated integrated-planning system, a unique one in the Russian oil and gas industry, streamlines refining volumes, feedstock delivery and the petroleum product mix 60 days ahead.

Digital transformation

The Gazprom Neft Digital Transformation Directorate was set up. The new subdivision is to develop and implement the company long-term digital strategy. Currently, the company has created the Digital Technology Vision Strategy and road maps for developing digital technologies.

Besides, two innovation platforms were set up. The Gazprom Neft Digital Innovation Centre integrated the efforts of the company, start-ups, developers and the academic community. It is to design disruptive digital solutions for the Gazprom Neft integrated downstream platform.

The House of Innovations based in St Petersburg drew together the company experts in neural networks, digital platforms, the industrial Internet of Things, blockchain technology, augmented and virtual reality, machine learning, and other Industry 4.0 technologies. The platform is used by the company subdivisions for joint work on relevant business challenges.

New HSE system

The company set a goal of becoming a global industry leader in HSE by 2030 in accordance with its updated Development Strategy. A risk-based approach became the basis for HSE transformation. The company experts prepared several projects to be implemented, including the Goals, Safety Measures, and Certification, Examination, and Investigation projects focused on priority risks identification, risk mitigants development and implementation, and control over the mitigants roll-out across the company, respectively.

Setting up JVs

Gazprom Neft, Mubadala Petroleum and the Russian Direct Investment Fund (RDIF) set up a joint venture to develop fields in the Tomsk Oblast and the Omsk Oblast in Russia's Western Siberia, using Gazpromneft-Vostok capacities. The JV key opportunities are related to developing technologies for prospecting and production from hard-to-recover pre-Jurassic (Palaeozoic) hydrocarbon deposits.

A joint venture was also established by Gazprom Neft and the Spanish company Repsol to carry out geological exploration at the Karabashsky 10 licence block in the Khanty-Mansi Autonomous Okrug-Yugra. The block adjoins the Karabashsky licence blocks owned by Eurotek Yugra, another joint venture of Gazprom Neft and Repsol.

Acquiring new assets

In 2018, Gazprom Neft acquired 100% of shares of Enercom LLC, which holds a licence for the Solnechny licence block in the Orenburg Oblast. The new asset will form part of the Orenburg production cluster.

In 2018, reorganisation of Arcticgas was also completed, which provided for equal participation (50/50) of Gazprom Neft PJSC and NOVATEK. That will allow implementing the synergy of shared use of competencies in hydrocarbon production, regional experience and infrastructure.

Gazprom Neft acquired a production and logistics terminal in Salsk in the Rostov Oblast. That asset is to form an important part of the logistics system, which will ensure the supply of modern bitumen products to southern regions of Russia.

2019

Operational transformation

Gazprom Neft started the roll-out of the Etalon Operations Management System (OMS) at all its assets. Pilot projects to implement the OMS have shown that the system is highly efficient. The Etalon OMS Development Code (OMS Code) was approved. It sets out standard OMS implementation principles to maximise operational efficiency.

Digital transformation

In September 2019 the Board of Directors approved the Gazprom Neft Digital Transformation Strategy. By the end of 2019, Gazprom Neft approved 30 digital transformation programmes. To form communities of technology experts in the company, and to interact with business units, Gazprom Neft created competency centres on machine learning and artificial intelligence, virtual and augmented reality, video content analysis, blockchain technology, robotics and additive technologies, unmanned technologies, industrial Internet of Things, and wearable technology.

New prospecting areas

Gazprom Neft entered two new prospecting areas: the Taymyr Peninsula (in the Dolgano-Nenetsky District in the Krasnoyarsk Krai) and the north of the Tazovsky Peninsula. The company was granted a subsoil licence for geological exploration at 12 licence blocks in the western part of the Taymyr Peninsula based on applications, and won the auction for the Severo-Yamburgsky licence block. In June 2019, Gazprom Neft and Royal Dutch Shell signed an agreement of intent to establish a joint venture to develop the Leskinsky and Pukhutsyayakhsky licence blocks on the Gydan Peninsula.

The Achimov Formation development

Gazprom Neft and the Government of the Yamalo-Nenets Autonomous Okrug started to create a technology centre for developing the Achimov Formation. A pilot testing site will be created based on Achimovsky strata at the Yamburgskoye field. The company also plans to create an integrated information platform and a data centre to facilitate experience sharing. Gazprom Neft had previously built the Digital Model for the Achimov Formation covering the entire Western Siberia. That is the first model of that kind in the industry.

The Chayandinskoye field development

Gazprom Neft is creating a new production cluster. An oil deposit at the Chayandinskoye oil and gas-condensate field in the Sakha Republic (Yakutia) will be one of its important parts. This field is unique due to its oil reserves in place (263 mt). The company is developing its oil rim under the operating agreement with Gazprom Neft Dobycha Noyabrsk LLC, which is developing gas deposits at the asset. In late 2019, Gazprom Neft initiated pilot development of the field, and shipped the first batch of marketable oil. Full-scale development of the oil rim will start in 2020.

Alternative energy at the Omsk Refinery

Gazprom Neft commissioned a 1MW solar power plant with 2,500 solar panels at the Omsk Refinery. It is supplying electricity to all administrative buildings at the Omsk Refinery. The estimated annual electricity output at the power plant will amount to 1.2 million kWh, which will allow avoiding over 6,300 tonnes of CO₂ emissions every year.

High-technology fuel terminal

Gazprom Neft commissioned the Gladkoye fuel terminal in the Leningrad Oblast. Gladkoye is the only terminal in Russia equipped with metering units that enable automated monitoring of the volume and characteristics of petroleum products. A digital twin of the fuel terminal contains all project information since the start of construction. The terminal infrastructure enables transshipment of up to 1 million tonnes of petroleum products every year, and the tank farm allows simultaneously storing 40,000 cubic metres of products.

Environmentally-friendly bunker fuel

The company started producing and selling bunker fuel with sulphur content of less than 0.1%. It meets the requirements of the International Convention for the Prevention of Pollution from Ships (MARPOL), in accordance with which the use of fuels with sulphur content exceeding 0.5% has been banned for all international shipping operations starting from 1 January 2020. The composition of the RMG-180 (type M) hybrid fuel has been developed by Gazprom Neft specialists. The company also introduced new marine oil for engines which use ultra-low sulphur fuel oil with sulphur content not exceeding 0.1%.

Supplying bitumen materials to Latin America

Gazprom Neft supplied polymer-bitumen binders (PBB) for construction of the largest infrastructure facility in Latin America: the Bi-Oceanic Road Corridor, which is to connect the eastern and western coast of the continent to form a single transportation network. Innovative bitumen produced by the Gazprom Neft Ryazan Bitumen Binders Plant is being used to pave a 277-kilometre-long section of the highway on the border between Brazil and Paraguay. A special PBB formula for the Bi-Oceanic Road Corridor has been developed at the Gazprom Neft research centre.

Consolidation of a 100% holding in Poliom

Launched in 2013, Poliom is one of the largest polypropylene producers in Russia, with the capacity of 218,400 tonnes per year. In 2019, Gazprom Neft and SIBUR purchased a 50% holding in Poliom from a partner on a parity basis. Due to that Gazprom Neft and SIBUR got 100% of the plant shares.

Construction of a catalyst plant in Omsk

Gazprom Neft started an active phase of building a high-tech oil-refining catalyst production facility in Omsk. The new plant with a capacity of 21,000 tonnes per year will produce catalysts for the key Euro 5 fuel-production processes, and deep conversion. The Ministry of Energy of the Russian Federation has granted this initiative the status of a national project. The project is expected to be completed in 2021.

The federal 'Clean Air' project

Gazprom Neft is implementing the federal 'Clean Air' project, part of the Russian Government's 'Ecology' project, which is aimed at reducing emissions by 20% in industrial cities with low air quality by the end of 2024. The programme includes nine projects to upgrade the Omsk Refinery. Gazprom Neft plans to invest over P100 billion in those projects.

Expedition under the 'Narwhal: Legend of the Arctic' project

Gazprom Neft successfully completed the first exploratory expedition as part of the 'Narwhal: Legend of the Arctic' project. Explorers got unique data on the life of narwhals in the Russian part of the Arctic, which will form the basis for the comprehensive programme to study this species through 2022. The 'Narwhal: Legend of the Arctic' project is an environmental project forming part of the large-scale 'Time of the Arctic' programme launched by Gazprom Neft.