

D-6 development – dialogue with the local communities and the government

By Yury S. Kadzhoyan

LUKOIL places a strategic emphasis on its operations in the Baltic Sea region.

It is a key export corridor used to export Russian oil and petroleum products to Europe. This fact contributes to integration of production, transportation, refining and distribution facilities into a single production chain.

Based on the vertical integration principle, LUKOIL has been making investments into development of transshipment and distribution facilities in Northwestern Russia. The Company owns two transshipment terminals on the Baltic coast: one in Izhevskoye settlement, Kaliningrad Oblast, and the other in Vysotsk port, Leningrad Oblast.

Moreover, LUKOIL operates an extensive distribution network in Northwestern Russia, Finland, Lithuania, Latvia, Estonia and Poland. To ensure supplies of petroleum products to this network, the Company has been considering an option of purchasing refining facilities in the Baltic Sea region.

Continental shelf development is yet another most important area of LUKOIL's operations in the Baltic Sea region. In 2004 LUKOIL-Kaliningradmorneft, one of LUKOIL's subsidiaries, started production at D-6 field located 22.5 km off the shore of Kaliningrad Oblast.

It was for the first time that LUKOIL had been engaged in a complex construction of field facilities. A modern steelworks factory with the state-of-the-art equipment was built to construct the offshore ice-resistant fixed platform.

We are currently using the engineering solutions that were first implemented in the Baltic Sea for development of the Caspian fields. The steelworks factory was used as the groundwork for construction of the offshore ice-resistant fixed platform (LSP 2) which is to be installed at Korchagin field in the Russian sector of the Caspian Sea.

The European community was concerned about the D-6 project from stage one. Few believed that offshore drilling would have no adverse environmental impact. At that time we were facing two challenges: one was to come up with the engineering solutions which could minimize the hazard of environmental accidents and the other one was to convince all concerned parties that the project posed no threat to the unique Baltic environment.

It is still difficult to say which of the tasks was more complicated. Nevertheless, both of them were successfully accomplished.

From the technical point of view, the project is secured against any environmental safety related problems due to its closed oil gathering, transportation and treatment system. Produced oil is treated to comply with the stock-tank oil parameters at onshore facilities, as opposed to being treated on the platform itself, which happens in other parts of the Baltic Sea. Oil is fed to the shore via a subsea pipeline which considerably reduces the risk of oil spill accidents.

The "zero discharge" production drilling technology is also completely safe. It involves transportation of all household and production waste onshore for further processing and disposal.

To control the environmental state at D-6, LUKOIL-Kaliningradmorneft is performing 24-hour satellite monitoring of the Baltic Sea. More than three million tons of

oil has been produced here over four years of the field's operation. And still there has not been a single case of environmental pollution.

In 2006 LUKOIL-Kaliningradmorneft completed certification of crude produced at D-6. Now, if there is a need to identify the source of oil pollution in the Baltic Sea, it suffices to compare the samples of oil slicks with the data contained in the respective certificates to exclude D-6 platform from the list of suspected pollution sources.

Today neither the European governments, nor the environmental organizations are concerned about LUKOIL's operations in the Baltic Sea. Moreover, our company's experience in terms of safe operation of offshore fields has been highly rated by HELCOM, the Helsinki Commission. The "zero discharge" requirements became part of the new "HELCOM Baltic Sea Strategy" signed by the ministers of the member states in Poland in November, 2007.

This story of success was made possible due to close cooperation with the local communities and the government, discussions on the company's stance and project details, and constant progress reports.

We managed to effectively communicate with representatives of the European Parliament, Euroregion Baltic, the already mentioned Baltic Marine Environment Commission also known as the Helsinki Commission, Ministry of Environment of Lithuania, the press and electronic mass media of Germany, Spain, France, Poland, Estonia, Latvia and Lithuania.

Such communication was largely possible due to visits paid by European representatives to the production facilities of LUKOIL-Kaliningradmorneft i.e. D-6 offshore ice-resistant fixed platform, Romanovo oil gathering unit and integrated oil terminal in Izhevskoye settlement.

In October 2004, soon after the field was put into operation, Kaliningrad Oblast hosted official delegations of HELCOM, the Latvian Ministry of Environment and representatives of the European mass media.

As part of such visits, they had an opportunity to find out for themselves how concerned LUKOIL was about its industrial and environmental safety, and have their questions answered first-hand, i.e. by experts immediately responsible for operation of production facilities. The result was that the Baltic Sea shelf development dialogue became more professional and relevant.

The most valuable lesson we learned in the course of D-6 development is that only those projects which meet the interests of all parties concerned, whether those of the investor, the local communities or the government, can become a success.

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