TABLE OF CONTENTS

FOREWORD

Gazprom is one of the world's largest energy companies.

Gazprom is interested not only in achieving high production results and economic efficiency, but also in environmental protection, which is one of high priority areas of activity. Among the Company's major tasks in this field are natural environment preservation at the location of gas industry facilities, rational utilization of natural resources, provision of production and ecological safety of construction and exploitation of hydrocarbon production, processing, transportation and storage facilities, as well as creation of safe labor conditions and employees health safety.

Gazprom environmental impact is insignificant, though the *Company* takes measures for its further minimization.

Every year up-to-date technical achievements are introduced into operation in *Gazprom* – energy saving and ecologically clean technologies, environmental management system is improved. *Gazprom* spends significant funds for environmental actions.

These initiatives enable *Gazprom* to effectively address its objectives, meet short-term and long-term plans in line with international environmental/nature management standards and practices, and – most importantly – contribute to preserving the environment for future generations.

Gazprom also participates in ensuring environmental safety in the regions of its activity and solving social tasks.

The Environmental Report is an annual specialized publication (issued since 1995), telling about *Gazprom* environmental protection and nature management activities.

By publishing the report, *Gazprom* witnesses the implementation of information transparency obligations formulated in its Environmental Policy.

PRIORITIES OF GAZPROM IN ENVIRONMENTAL PROTECTION AND NATURAL RESOURCES MANAGEMENT

Gazprom activities are strategically important for Russian and other countries economy and they affect the interests of millions of people and have effect on the environment of large territories. The above determines *Gazprom's* enormous social responsibility.

Gazprom takes into account a human right for the favorable environment and material welfare vested by the Constitution of the Russian Federation and international obligations of Russia and considers that land and other natural resources are used and protected in the Russian Federation as a living base of all people inhabiting its territory.

In the course of its operating activities *Gazprom*:
- Consistently implements the provisions of the Ecological Doctrine of the Russian Federation.
- Makes provisions for resource-saving, decreases a negative environmental impact, takes all possible measures for conservation of climate, biological diversity and indemnification of possible damage.
- Increases energy efficiency of processes in all types of operating activities and at all stages of production.
- Ensures realization of a "continuous improvement" principle in both the environmental activities and Environmental Protection Management System.
- Pursues a "pollution prevention" principle providing for the superiority of the preventive measures aimed at the exclusion of negative environmental impacts over the mitigation activities.
- Continuously improves the occupational safety and health state at its production facilities ensuring labor under the conditions meeting health and safety standards requirements.
- Takes into account the interests and rights of ethnic minorities for their traditional way of life and preservation of their original living conditions.

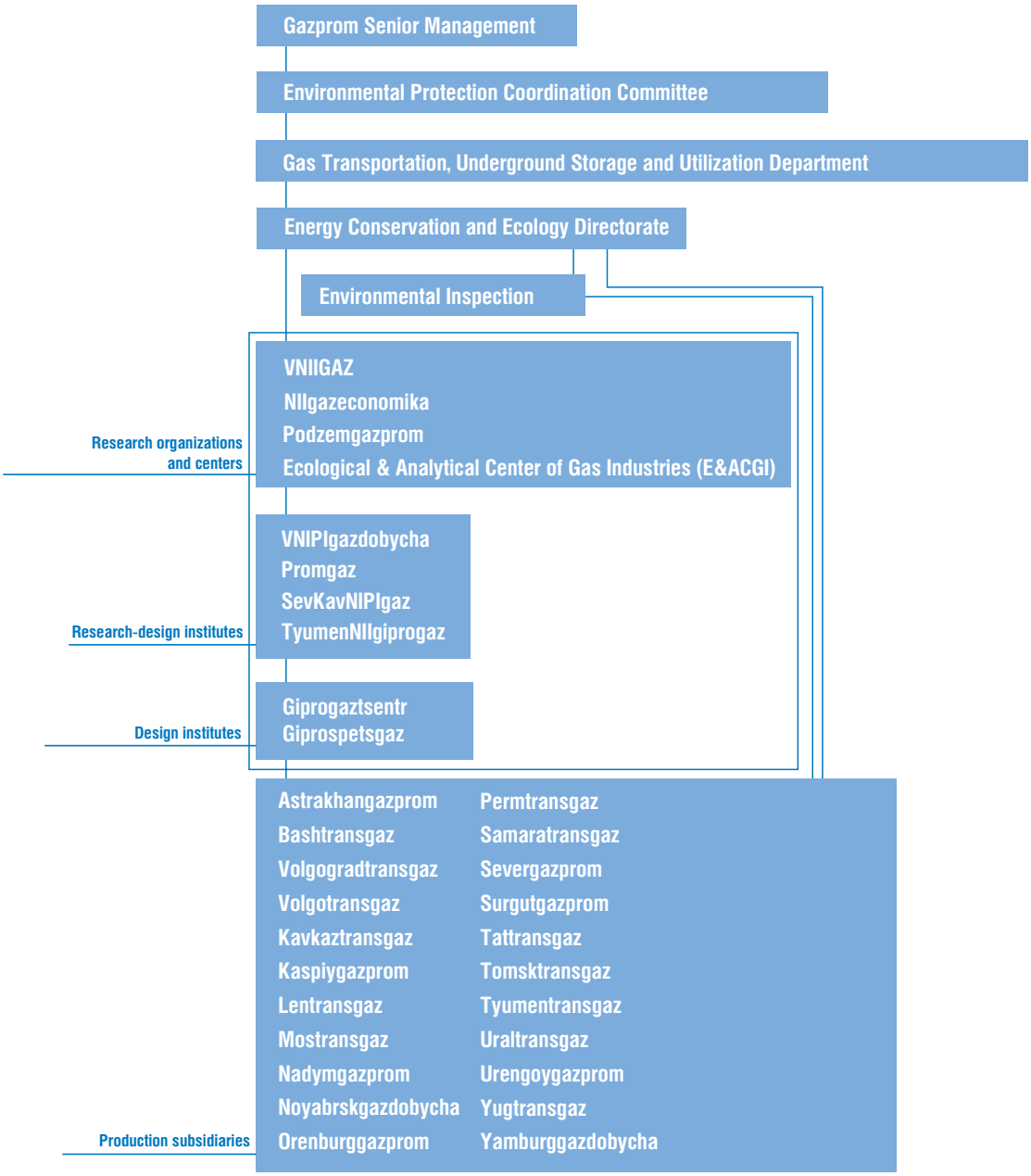
Gazprom activities are governed by the following:
- Relevant legislation of the Russian Federation and other countries where its projects are located.
- International conventions and treaties.
- National environmental protection standards of the Russian Federation.
- International standards of the ISO 14000 series for the natural resources management.
- Voluntary commitments assumed in a number of corporate documents.

In particular, these documents include:
- *Gazprom* Environmental Policy.
- *Gazprom* Regional Policy Concept.
- *Gazprom* Energy Saving Concept for the years of 2001 to 2010.
- *Gazprom* environmental protection and natural resources management standards under development in addition to national and international standards.

ENVIRONMENTAL PROTECTION MANAGEMENT SYSTEM

The Environmental Protection Management System created within a series of years and consolidating the efforts of more than 2 thousand environmental specialists is applied today at all *Gazprom* projects, research and production units. Environmental specialists are available at all the production sites.

THE STRUCTURE OF GAZPROM NATURAL RESOURCES MANAGEMENT SYSTEM



* See Notes, page 49

Activities are arranged and performed under the guidance of a specialized business unit of *Gazprom* Administration – Energy Conservation and Ecology Directorate of the Gas Transportation, Underground Storage and Utilization Department.

In addition, the environmental activity involves all the *Gazprom* Administration units, including the Strategic Development Department (provides innovation inputs for environmental and energy saving initiatives), the Investment and Construction Department (designs and constructs environmental protection facilities, and deals with environmental aspects of construction), and the Information Policy Department (provides information support for environmental policy implementation).

The Ecological & Analytical Center of Gas Industries, a subsidiary of *Gazprom*, maintains statistical records of natural resource use and waste generation, and analyzes *Gazprom* environmental performance.

In 2007, *Gazprom* set up a *Gazprom* Coordinating Council for Environmental Protection Issues and Environmental Inspection to improve the existing system.

The Coordination Committee was set up to ensure the implementation of a package approach to meeting environmental challenges and coordinate the activities of *Gazprom* Administration units and the Company's subsidiaries in environmental protection and efficient use of natural resources.

The basic tasks of the Committee are as follows:
- Ensuring the implementation of the *Gazprom* environmental protection policy.
- Comprehensive assessment of the company's environmental activities efficiency.
- Organization of the integrated management in the field of environment protection.
- Organization and coordination of *Gazprom* cooperation with environmental authorities and non-governmental organizations.

The Company's Environmental Inspection set up to provide additional measures for improving organization of environmental monitoring maintains supervisory monitoring to ensure the conformity of the activities of *Gazprom*'s subsidiaries to the requirements of environmental legislation.

In accordance with the tasks allotted, the Environmental Inspection performs the following functions:
- Inspections of organization of industrial environmental monitoring in subsidiaries.
- Systematic supervision and coordination of industrial environmental monitoring works in subsidiary companies.
- Developing proposals on improving corporate normative documents regulating industrial environmental monitoring.
- Analyzing the interaction practice of subsidiaries with governmental regulatory and supervisory bodies, non-governmental environmental organizations.
- Controlling the reliability of accounting and efficient use of gas in subsidiaries.
- Controlling the reliability of accounting of negative environmental impacts made by the Company's subsidiaries.
- Audit of environmental management systems in subsidiaries.

The Environmental Inspection activities are aimed to establish the following:
- Reasons and consequences for environmental requirements violation at production facilities.
- Reasons for inefficient natural resources use.
- Reasons for a decrease in the environmental safety.
- Other violations in the field of environmental protection.

At the present time, the environmental management systems were prepared for and in some cases were certified for the conformity to the requirements of ISO 14001 international standard in a number of *Gazprom's* subsidiaries, such as Severgazprom, Astrakhangazprom, Kavkaztransgaz.

In 2007, a procedure to identify the environmental aspects was developed, environmental aspects were identified and estimated, Health, Safety, Environment and Security Policy was developed for subsidiaries, as well as the environmental management system objectives and tasks were developed in Orenburggazprom in accordance with the integrated management system implementation plan as per the requirements of ISO 9001, ISO 14001 and OHSAS 18001 international standards. The final diagnostic audit to be conducted by DNV is scheduled for April 2008.

In 2007, an audit-consulting was conducted in Lentransgaz for the purpose of bringing a subsidiary management system into accordance with the requirements of ISO 9001, ISO 14001, OHSAS 18001 international standards, whereof an appropriate report was made. In 2008, a preliminary estimate of the quality management system, environmental protection management system and occupational safety labor protection management system for the conformity to the requirements of ISO 9001, ISO 14001 and OHSAS 18001 will be performed with the participation of RUSSKY REGISTR Certification Association.

The Environmental Protection Management System was under development and implementation in Tattransgaz in 2007. The system includes two functional subsystems: an information measuring network and an information management subsystem designed for the centralized environmental activity management of the company's geographically-distributed facilities.

In November-December 2007, an independent audit of *Gazprom* Environmental Protection Management System was conducted. The audit was carried out by FRECOM consulting company and its target was to estimate the conformity of the *Gazprom* Environmental Protection Management System to the requirements of Russian legislation and ISO 14001 international standard.

Within that audit the documentation in the field of environmental protection was analyzed (about 600 documents), *Gazprom* and subsidiaries managers and specialists were interviewed (more than 100 people). The audit confirmed that *Gazprom* performs full-scale operations aimed to comply with the requirements of environmental legislation, ecological norms and standards, allocates substantial funds to support such activities and possesses appropriate highly qualified staff and technologies.

The audit stated such strong points of the *Gazprom* Environmental Protection Management System as:
- Environmental policy on stream.
- Availability of qualified staff.
- Management system procedures developed – the availability of standards of an organization (STO).
- Integration of energy saving and environmental issues.
- Availability of in-process environmental monitoring and control system.
- A number of subsidiaries and organizations implemented and certified the environmental protection management system.

Following the audit results, measures on improving the management system (preparing it for certification for the conformity to the provisions of ISO 14001) of *Gazprom* and its subsidiaries were specified.

GAZPROM ENVIRONMENTAL PERFORMANCE

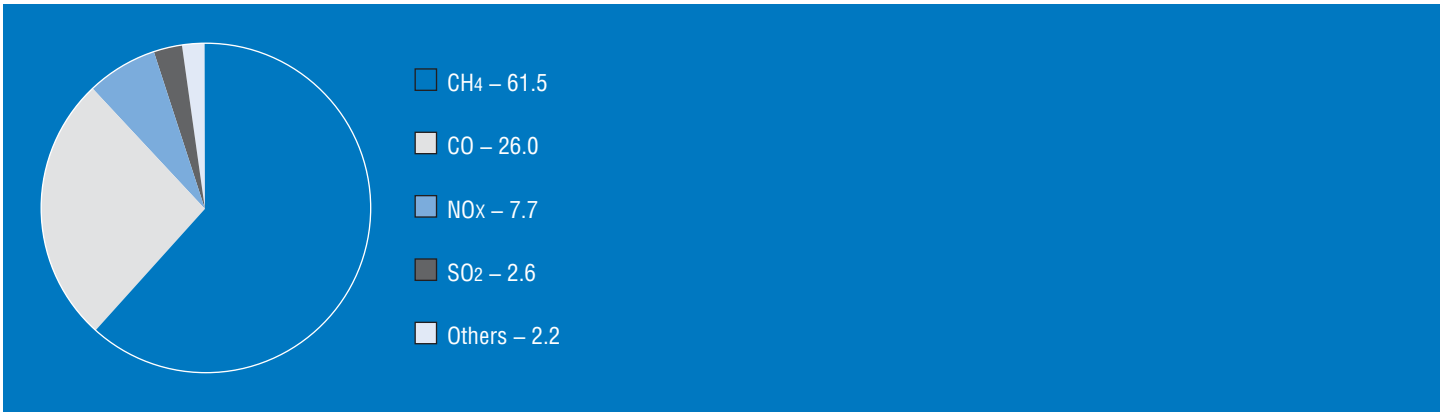
Environmental protection is a priority direction in the Company activities. *Gazprom* performs a complex of measures to preserve and efficiently use natural resources, seeks to decrease a negative environmental impact applying different manufacturing and engineering solutions, investing substantial funds in environmental actions*.

As a result of the work performed it became possible to stabilize the amount of airborne pollutants emissions, to decrease water consumption and water removal, as well as to decrease the amount of waste formed.

AIRBORNE EMISSIONS

The structure of pollutants emissions did not essentially change as compared with the previous period: methane constitutes the greater part of emissions – 61.5 %, carbon oxide emissions make 26 %, nitrogen oxides and sulfur dioxide make 7.7 and 2.6 % accordingly. Contribution of other pollutants including solid particulate pollutants and volatile organic compounds make just a little bit more than 2 %.

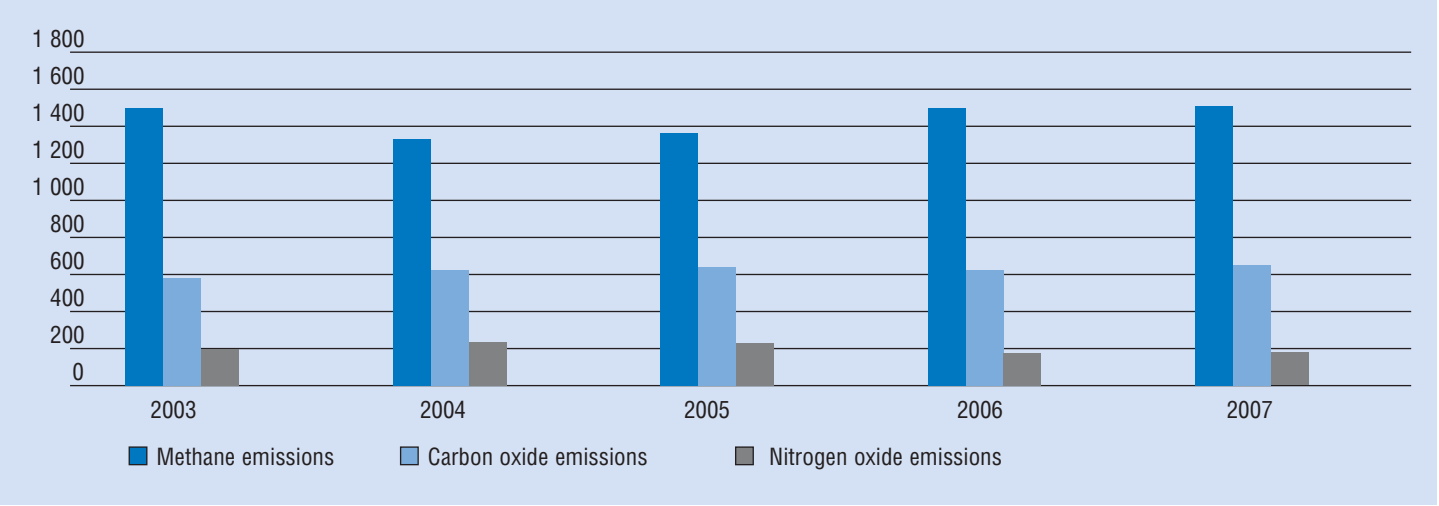
Structure of Airborne Pollutant Emissions, %



In connection with development of new gas areas, putting into service of additional gas operating wells, increasing the amount of hydrocarbon condensates processing, and extending the scope of work on reconstruction of compressor stations, the total airborne pollutants emissions in 2007 increased insignificantly by 1.6 % and made 2 495.7 thousand tons and methane emissions increased by 1 % and made 1 534.2 thousand tons. An increase in the amount of total emissions occurred within the limits of maximum allowable emissions approved for *Gazprom* subsidiaries.

* The data from *Gazprom neft* and *Sibur Holding* entering *Gazprom Group* were not taken into consideration in the environmental performance indicators below since the companies submit their environmental reports directly to state authorities.

Dynamics of Airborne Pollutant Emissions, thousand tons



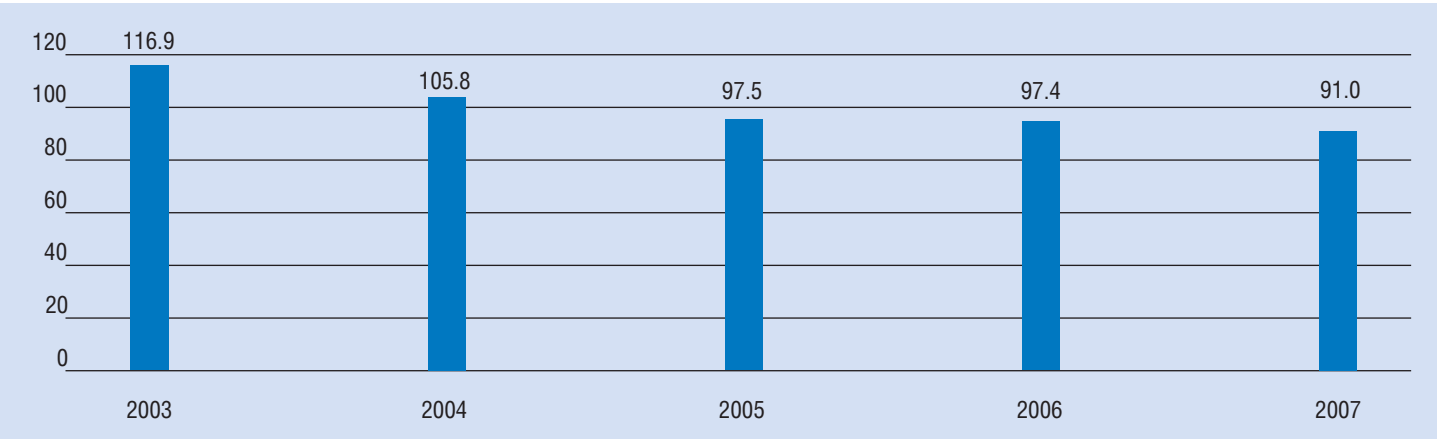
Meanwhile, in 2007 it became possible to decrease nitrogen oxide emissions by 2.9 % as compared with those in 2006, from 199.1 thousand tons to 193.4 thousand tons respectively.

WATER RESOURCES

The measures taken for the efficient utilization of water resources and elimination of water loss used for production needs, in particular, reduction of water use during hydraulic tests of pipelines, reserving boiler plants and transfer to heating of the heat medium in heat-recovery boilers, as well as the energy saving measures in 2007 continued the tendency to stabilize and reduce water consumption, outlined in the previous years.

As compared with the year of 2006, the amount of water consumption decreased by 6.6 % and made up 91.0 million m^3.

Water Consumption Dynamics, million m^3



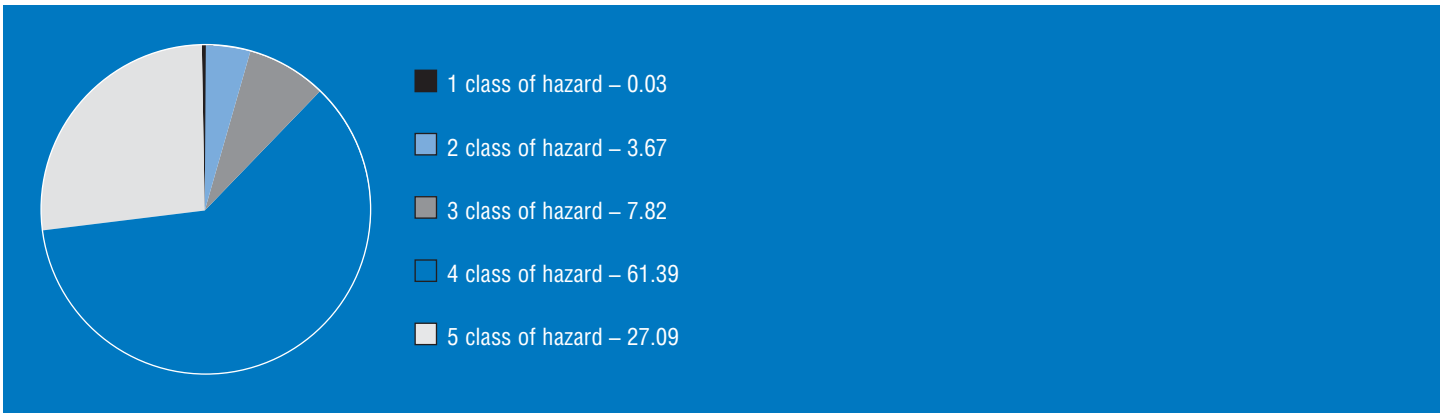
It became possible to decrease the volume of water utilized for production needs by 0.7 million m^3 (2.4 %), the volumes of recycled and repeatedly-successively utilized water also decreased and totaled 152.5 million m^3 (decreased by 50.9 %) and 0.8 million m^3 (decreased by 40.7 %) accordingly.

Waste water discharge to the ground surface significantly decreased (by 76 %) within the reporting year, from 7 343.6 thousand m^3 in 2006 to 1 717.0 thousand m^3 in 2007. In addition, waste water discharge to surface water bodies significantly decreased – to 24.7 million m^3, which is by 36.8 % less than in 2006. Meanwhile, polluted flows discharged without purification decreased significantly (by 28.7 %) – from 1 188 thousand m^3 to 847.15 thousand m^3. Waste water discharge to underground horizons significantly decreased from 2 672.5 thousand m^3 to 2 475.3 thousand m^3 (by 7.4 %).

WASTE

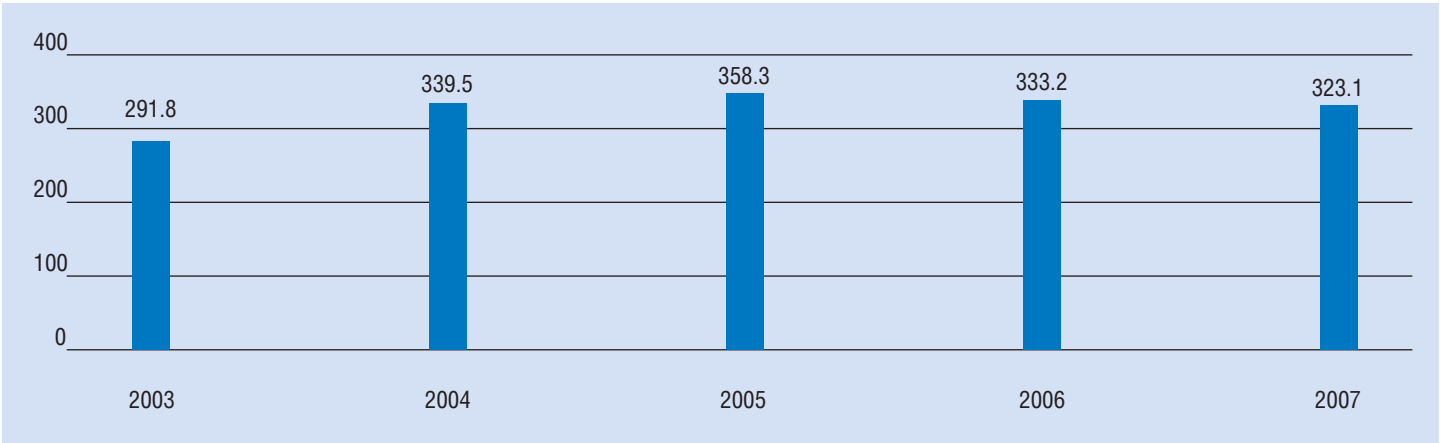
In 2007, 323.1 thousand tons of toxic waste products and consumption residues were formed in *Gazprom's* subsidiaries, which is by 10.1 thousand tons (3 %) less than in 2006. More than 80 % of wastes are low-toxic and referred to the 4th and 5th classes of hazard.

The Structure of Waste by Classes of Hazard, %



The mass of toxic waste used and neutralized within a year decreased by 10.5 tons (14.6 %), mainly for account of waste generation decrease. The mass of waste accumulated at the year end decreased in 2007 by 8.1 thousand tons (21.0 %) as compared to 2006.

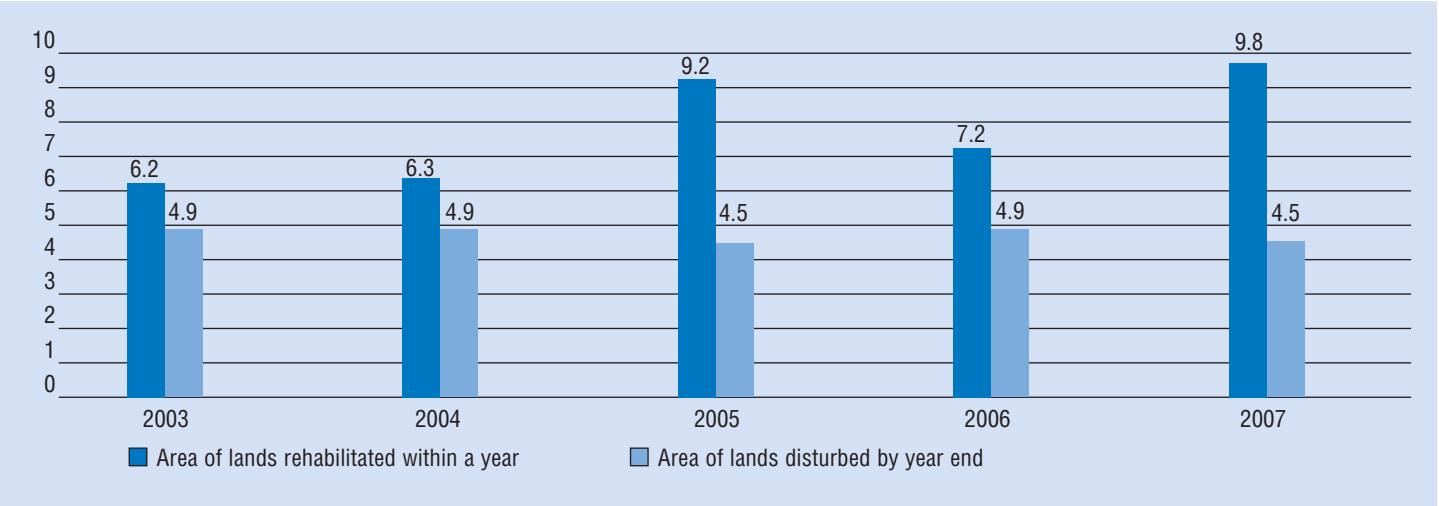
Generation of Toxic Wastes Within a Year, thousand tons



RECLAMATION OF DISTURBED LANDS

In 2007, 9.8 thousand hectares of disturbed lands were rehabilitated which is 36 % more than in 2006.

Rehabilitation of Waste Lands, thousand ha



Kaspiygazprom, Kubangazprom, Lentransgaz, Mostransgaz, Tattransgaz rehabilitated waste lands in full. The most considerable scope of reclamation work was done by Yamburggazdobycha (2 298.0 ha), Volgogradtransgaz (803.8 ha), Nadymgazprom (783.7 ha), Volgotransgaz (507.6 ha).

Due to an increase in the scope of reclamation work, the area of disturbed lands decreased by 400 ha (8.2 %) at the end of 2007.

ENVIRONMENTAL COSTS AND CHARGES

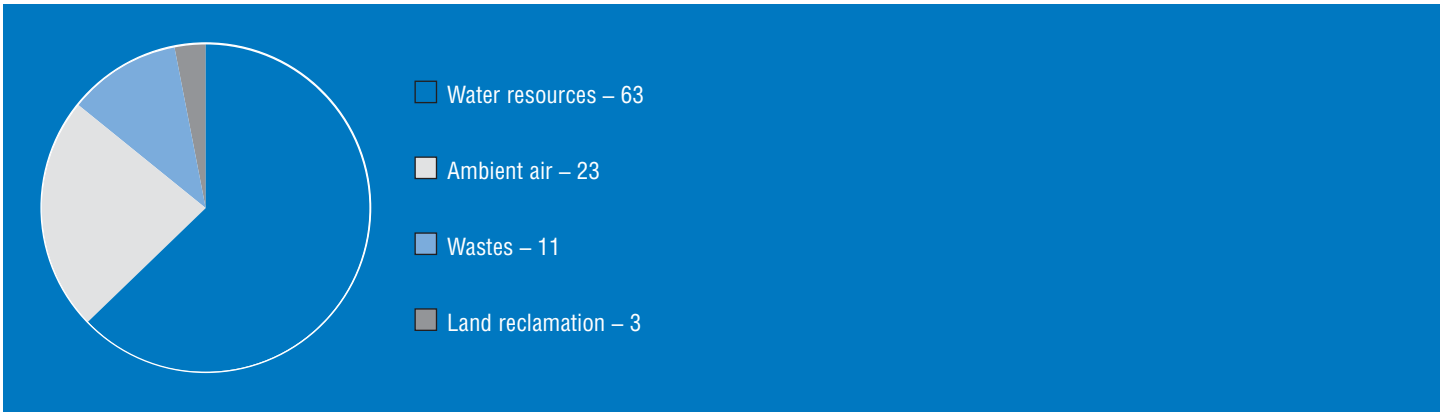
In 2007, *Gazprom's* environmental costs and charges totaled 8.22 billion rubles, which is by 0.60 billion rubles (7.9 %) higher than in 2006.

Capital investments in environmental protection accounted for 1.38 billion rubles.

Current environmental protection costs increased up to 5.86 billion rubles, which is by 0.75 billion rubles (14.6 %) more than in 2006.

Current costs were distributed as follows: the larger amounts were spent on water resources protection – 3.70 billion rubles (63 %), open air protection costs made 1.36 billion rubles (23 %), land protection from toxic waste – 0.60 billion rubles (11 %) and land reclamation – 0.20 billion rubles (3 %).

The Structure of Current Environmental Protection Costs in 2007, %



Environmental charges for the negative environmental impact increased as compared to those in 2006 by 23 % and reached 0.45 billion rubles. As in previous years, the bulk of payments are made for the impacts within approved normative standards – 64 % (0.29 billion rubles).

ENVIRONMENTAL ACTIVITIES OF SUBSIDIARY COMPANIES IN 2007

For the purpose of environmental impact mitigation as well as to ensure resource/energy saving efficiency in 2007, activities were carried out on remodeling and reconstruction of *Gazprom's* production facilities. Considerable administrative and technical measures were performed to ensure an efficient utilization of water resources, increase volumes of recycling water supply. Introduction of a pressure tapping technology without gas blowing during repair works continued, considerable scope of work on trunkline technical diagnostics was carried out as well as on natural gas leakage and loss prevention.

Environmental activities in 2007 were carried out in all *Gazprom's* subsidiaries. Below examples are given on the environmental activities performed in subsidiary companies referred to hydrocarbon material recovery, processing and transportation.

ENVIRONMENTAL ACTION PLANS AND PROGRAMS

The Program of Greenhouse Gas Emission Decrease has been implemented in Kavkaztransgaz since 2005. Actions aimed to save energy and decrease methane emissions during capital repairs of a lineal part of natural gas trunklines are included into the Program as basic ones, including:

- Optimization of gas transportation system flows.
- One-stage operation of compressor stations owing to an increase in Khadumsky layer formation pressure at the Severo-Stavropolskoye underground gas storage facility.
- Implementation of the techniques and technologies of pressure tapping without natural gas blowing, etc.

A reduction in greenhouse gas emissions in 2007 accounted for about 250 thousand tons of CO_2 equivalent. From 2005 to 2007 emissions decreased by some 894 thousand tons of CO_2 equivalent.

In 2007, the implementation of the following programs continued in Astrakhangazprom: Reconstruction of Astrakhangazprom's Field Facilities, Integrated Program of Reconstruction and Technical Upgrading of Gas Recovery Facilities for a Period up to 2010.

The Special-Purpose Integrated Environmental Program for a period of 2006 to 2010 is under implementation in Permtransgaz which includes eight subprograms where the actions aimed to improving the environmental management system, preventing and minimizing a negative environmental impact of production activities are represented.

In accordance with the Program of Actions Aimed to Improve the Environmental Setting and Increase Radiation Safety at Orenburg Gas Chemical Complex for 2007, activities were carried out in Orenburggazprom to decrease a human-induced impact.

Regulations on Ensuring Environmental Safety at Orenburg Gas Chemical Complex was developed and implemented successfully. It governs the actions of structural units and subcontractors performing the planned work related to possible salvo emissions, in case information on unfavorable weather conditions and open air pollution is obtained.

ATMOSPHERIC EMISSIONS REDUCTION

The subsidiaries of *Gazprom* carried out methodical work on reconstruction of compressor stations with installation of Russian new generation gas-compressor units with decreased pollutants discharge into the ambient air. Tubular regenerators, low-emission combustion chambers and burners were mounted on compressor stations in Volgogradtransgaz. Combustion chambers of gas-compressor units were retrofitted in Samaratransgaz. Gas drying blocks were replaced for national ones in Astrakhangazprom, also metal pontoons in petrol tanks were replaced for up-to-date pontoons of a better design. Shut-off and control valves of the improved air-tightness were applied in Orenburggazprom within the framework of modernization of the existing equipment, and a new technology of well development after repair of wells and intensification of hydrocarbon material inflow by means of movable separation units was introduced.

Efficient systems with induced units and compressor plants were introduced for the utilization of low-pressure gases at field production facilities. Low-pressure oil gases and condensate flash gases generated within a process of oil and gas wells product preparation, after utilization with a basic gas flow are delivered through booster compression stations to a gas processing plant. The total amount of low-pressure gases burned in flare devices of Orenburggazprom structural units was decreased by 30 million m^3 within 3 years.

A new technology of well development after drilling and intensification by means of movable units for well development and survey was introduced to decrease salvo emissions. This technology made it possible to reduce time for well development (due to the lack of well dead time in connection with prohibition to work because of weather conditions), decrease pollutants emissions into the ambient air and improve environmental situation in near-by settlements.

These and other measures made it possible to decrease the pollutants concentrations in air emissions and the volume of pollutants emissions, as well as to decrease fuel gas consumption.

WATER-PROTECTIVE MEASURES

The implementation of new technologies, enhancement of the existing facilities efficiency ensures high quality water production and waste water purification. As a result of a series of measures aimed to prevent negative environmental impacts during industrial waste water pumping carried out in Urengoygazprom, pollutants concentration in industrial waste water decreased up to the value which is twice lower than the maximum allowable concentration, time between overhauls of absorption wells increased significantly. Hydrodynamic sewer net cleaning was performed in Samaratransgaz, capital repair of household sewage disposal plants was performed in Kavkaztransgaz. Reconstruction of sewage treatment plants was carried out in Tattransgaz and Tomsktransgaz increasing their capacity.

Water barrier crossings are constructed by using a method of directed drilling in Kubangazprom to ensure the minimum impact on land and water resources.

INDUSTRIAL ENVIRONMENTAL CONTROL AND ENVIRONMENTAL MONITORING

In 2007, as in previous years much prominence was given to industrial environmental control (IEC) and environmental monitoring.

A three-level IEC system has been formed in *Gazprom Group*. The top level is a corporate control level. Since 2007, it has been carried out by the *Gazprom* Environmental Inspection. Environmental units of the of the subsidiaries' administrations make inspections of abidance by environmental requirements and standards within IEC at the middle level. At the level of branches and production facilities of subsidiaries, supervising functions are laid upon the environmental engineers working for the branches.

Special environment analytical laboratories well equipped and staffed with qualified employees participate in IEC execution in the majority of *Gazprom* subsidiaries, who carry out planned measurements of standardized rates of negative environmental impacts. For the purpose of improving operations of these structural units, in 2007 *Gazprom* developed and introduced STO 5.8-2007 Standard "Ensuring Uniformity of Measurements. Regulations on the System of Accreditation of Chemical Analytical Laboratories of *Gazprom* Subsidiaries (SALGAZ)".

The subsidiaries which are not able to carry out current measurements of negative impact indices independently because of remoteness and multiplicity of production facilities shall apply a corporate cooperation principle for IEC and recourse to the assistance of the subsidiaries permanently operating in appropriate regions and possessing well equipped environmental analytical laboratories. Thus, a laboratory of a Kubangazprom research center performed measurements on the facilities of Kubanburgaz, being a Burgaz branch.

IEC systems are used to control surveys of impact on the soil mantle in the area of gas recovery in *Gazprom* gas recovery companies, in particular, in Yamburggazdobycha and Nadymgazprom. Similar research work is carried out in Astrakhangazprom on infiltration fields and solid waste disposal areas.

Industrial environmental control and environmental monitoring systems are used in gas transportation companies for solving the most complicated problem, timely identification of natural gas leakages. These are double-purpose systems: simultaneously they make it possible to prevent emergency situations and ensure a decrease in the discharge of the natural gas referred to the group of greenhouse gases into the ambient air.

Information obtained within environmental monitoring in an area of production facilities is widely used for IEC. Subsidiaries environmental monitoring systems as a rule are connected to automatic information systems which makes it possible to inform the stakeholders promptly on current levels of environmental impact and on all the deviations from standard rates of environment pollution. The data from control instruments installed at emission and discharge sources is united and analyzed jointly with the environmental data in the area of production facilities location which enables to establish reasons of above-level pollution and identify the sources of such pollution with high reliability.

Activities of Yugtransgaz may be an example of efficient organization of environmental analytical control. Within a year, Environmental Office specialists of this subsidiary performed about 200 measurements of the availability of pollutants in air-gas emissions from gas-compressor units, more than 22 thousand of observations of ambient air quality in 138 survey points located in the areas of potential impact of production facilities of 27 structural units, 807 natural water and waste water samples were analyzed, including 212 waste water samples and 55 samples of process water pumped into underground horizons.

Automated points for air condition monitoring have been brought into action in a number of subsidiaries, and automated environmental monitoring systems operate in Orenburggazprom, Astrakhangazprom, Kubangazprom and Kavkaztransgaz.

The integrated complex of monitoring and control measures makes it possible to ensure a high level of environmental safety for the subsidiaries' production activities, identify risks of violation of environmental requirements and take remedial actions promptly.

INTRODUCTION OF INFORMATION TECHNOLOGIES IN ENVIRONMENTAL ACTIVITIES

Introduction of up-to-date information technologies enables to improve the efficiency of ecologists' work and operational efficiency when dealing with information. New technologies are used in all types of *Gazprom* production activity.

Development of an ecological segment of the geoinformation system of Zapolyarnoye field is carried out in Yamburggazdobycha.

The web service is based on the initial information on the amount of controllable values (substances); periodicity of their control in accordance with the schedules made individually for every type of controllable media. The web service presents locations of discharge of purified waste water into natural water basins, locations of industrial waste, industrial discharge sources, along with the sampling points and methods, the list of controllable substances and measuring techniques used, which guarantees confirmation of the conformity within the framework of the environmental management system requirements.

The main peculiarity of the ecological segment of the geoinformation system of Zapolyarnoye field is its flexibility enabling to enlarge its structure in future with new information blocks and enhance its functionality as long as new tasks are set and experience of the geoinformation system operation is gained.

During the North-European gas pipeline layout, a construction management system project was developed by Giprospetsgaz on the basis of the Project Management schemes.

The main advantage of the system developed is that it makes it possible to control construction, implementation of a package of planned environmental measures promptly introducing changes not only during the project development but also within the process of construction.

At the same time, it is possible to ensure automated control both on the part of a customer and a designer obtaining subcontractors' reports on the work progress in real time.

Introduction of geoinformation technologies at early design stages makes it possible to lay the information base to ensure environmental and industrial safety of *Gazprom* facilities at the stage of design and exploration work.

VNIPIgazdobycha in close cooperation with Nadymgazprom started to construct geoinformation facilities of the Yamalsky gas complex. A geoinformation system of Bovanenkovo gas condensate field was selected as a pilot project.

A step-by-step construction of the geoinformation system is planned. Establishment of the Ecology Module is one of the priorities within its development. Detailed, constantly updated data on the environment components condition and development pressure level within a construction process and field operation will make it possible to arrange the environmental monitoring system, to assess the efficiency and adjust the projected range of environmental measures and they will lay a basis for an environmental management system in general.

The technology proposed will make it possible to supply a customer with a ready for operation geoinformation system, design and exploration data along with a project.

ENSURING ENVIRONMENTAL PROTECTION

SCIENTIFIC-METHODOLOGICAL, TECHNOLOGICAL AND TECHNICAL SUPPORT

Gazprom pays significant attention to the scientific support of environmental protection.

In the frames of R&D activities new, more environmentally friendly and energy efficient technical means and technological processes are developed; solutions are found providing the enhancement of environment protection efficiency.

Gazprom is developing regulatory documents that supplement the requirements of Federal regulations. For example, in 2007 VNIIGAZ developed and implemented a number of regulatory documents aimed at supporting ecological safety and environmental protection, in particular:

- STO *Gazprom* "Calculated quantitative methods for the evaluation of stability, breakage risk and justification of engineering means for the protection of terrain and engineering facilities on slopes in conditions of slope negative processes activation in the Far North regions of gas fields development".
- STO *Gazprom* "Guidelines for industrial wastewaters utilization projects compilation under the operation of UGSFs in porous formations".
- STO *Gazprom* "Rules of acoustic calculations made at the stage of developing compressor stations, gas booster stations and UGSFs compressor stations design".
- STO *Gazprom* "Parameters determination methods for compressor stations noise emission taking into account landscape and compressor stations arrangement during the design phase".
- STO *Gazprom* "Methods of measuring methane emissions into the atmosphere at *Gazprom* facilities". The standards are to be met under the design and operation of *Gazprom* facilities.

In order to enhance the ecological safety of production process, the Ecological & Analytical Center of Gas Industries has developed:

- *Gazprom* Recommendations "On the procedures of plan development and composition for the liquidation of accidental oil and oil products spill".
- *Gazprom* Recommendations "On staff training for accidental oil and oil products spill".

A number of research activities were aimed at enhancing the efficiency of UGSFs operation.

In 2007, on the basis of the work on "Analyzing the composition of the wastewaters produced during the operation of UGSFs in porous formations" VNIIGAZ developed its proposals for selecting the technologies of wastewaters treatment and utilization, as well as those for reducing the negative environmental impact of wastewaters.

The implementation of biological technologies based on the application of biological substances, which are active biomasses of nonpathogenic and nontoxic natural microorganisms is a promising method of hydrocarbon pollution liquidation. Biological technologies are based on the external injection of hydrocarbon oxidizing microorganism biomasses being the basis of substances that dissociate hydrocarbons into simpler and less harmless substances.

In the accounting year, VNIIGAZ employees developed an experimental unit producing biological products intended for the liquidation of hydrocarbon pollutions. System output equals to 100 kg of biological products per year.

The unit is designed for the production of a wide range of biological substances designed for the utilization of hydrocarbons, as well as other hazardous and toxic compounds, related to the production, transportation, processing and utilization of natural gas, gas condensate and crude oil. The company is planning to carry out research work with respect to the application of biological substances for the utilization of such pollutions as methanol, formaldehyde, diethylene glycol, mercaptans, as well as pesticides, dioxins and other toxicants.

In the result of selection work with the microorganisms separated from soil and active sludge samples taken from wastewaters of Moscow Oil Processing Plant and VNIIGAZ motor transport enterprise, VNIIGAZ employees obtained a yeast strain which laid the basis for the development of a new biological product – BIOROS.

The new product differs from the previously known ones being capable of utilizing a wider range of hydrocarbons.

ECOLOGICAL RESEARCHES, SURVEYS, DEVELOPMENTS

TyumenNIIgiprogaz took a series of measures in 2007. The are as follows:

- The company conducted full-scale engineering and ecological surveys in the area of Pestsovoye, Severo-Purovskoye, Syskonsyninskoye and some other oil and gas condensate fields, on the results of which reports were prepared that in their turn were used as the basis for the evaluation of environmental impact in projects and programs of production and ecologic monitoring.
- The company conducted research for the evaluation of the baseline state of the natural environment in the area of Lenskoye field. During the research initial information was received on the environmental conditions in the area, information management systems were created, the level of negative impact on the natural environment by oil and gas extracting facilities was determined, guidelines were developed for the selection of optimal ways of business management, ultimate anthropogenic stress on the ecosystems and other environments was calculated, and self-regeneration capacity of ecosystems was determined.
- More than 200 ecological thematic maps were developed.
- Inventory works were started with respect to the specially protected natural territories of Tyumen south regions: Afonsky, Dubynsky and Ereminsky regional wildlife reserves.

Engineering and ecological surveys conducted by the Institute provide an integrated study of natural and industrial conditions of the territory, appraisal of current ecological state of certain environmental components, forecast of possible changes in natural (natural and technical) systems, evaluation of ecological threats and risks, guidelines development for the prevention of harmful and undesirable ecological consequences, determination of measures for the preservation of social and economic, historical, cultural, ethnical and other interests of local population, data collection for the design of reclamation works and local ecological monitoring program arrangement and implementation.

Giprospetsgaz in 2007 in the frames of works for the integrated development of Shtokman field engineering and ecological surveys were conducted at the field site and along the offshore pipeline route, and research work was conducted in the context of the project for the Development of Gas Transportation Facilities for Natural Gas Supply to European Markets along the South Direction, including Main Ecological Restrictions and Preliminary Evaluation of Environmental Protection Measures section.

The primary objective of the research work is to reduce the adverse impact on the environment and to ensure ecological safety of the objects under design. All works are carried out in accordance with the requirements of the Russian legislation, International treaties and standards. During the development of projects rationale in 2007 the changes made in new editions of Water and Forestry Codes to come into effect, as well as the amendments in town-planning and land laws, were taken into consideration.

In 2007, Giprogastsentr conducted engineering and ecological surveys along the route of Pochinki-Gryazovets trunkline 638 km long and developed an Environmental Impact Assessment section with the arrangement of public hearings in all provinces of Nizhniy Novgorod, Vladimir, Ivanovo, Yaroslav and Vologda Oblasts, to be crossed by the trunkline.

Engineering and ecological surveys were conducted along the route of other new gas pipelines (Okhansk – Kirov, Sokhranovka – Oktyabrskaya, Noginsk – Yakhroma, Noginsk – Voskresensk).

In order to minimize the adverse environmental impact, under the design of production facilities the most up-to-date technical solutions are introduced, including:

- Application of closed dust collectors blowdown systems preventing natural gas emissions into the atmosphere at compressor stations.
- Water recycling for pipeline flushing and endurance trials during the construction and overhaul of a linear part of gas trunklines (saving 727.6 thousand m^3 of water in 2007).
- Utilization of up-to-date units for complete biological treatment of service-utility and rain wastewater at the compressor stations under design.
- Implementation of new constructive solutions in the natural gas odorization systems at gas distribution stations, enabling to prevent odorant vapors emission into the atmosphere.

ENERGY SAVING

A consistent energy saving policy in all the areas of activity is a part of *Gazprom* general policy and is pursued taking the requirements of Russian Energy Strategy up to 2020 into account.

Energy saving in *Gazprom* is ensured by enhancing natural gas, electric and thermal power, boiler and furnace fuels and diesel fuel utilization in all the areas of operation: production, transportation, storage and processing of gas, gas condensate, oil and oil products.

The energy saving issue is relevant for *Gazprom* primarily due to the significant energy resources consumption and an increase in energy expenses share in the prime cost of production, transportation, processing and storage of natural gas, which is caused by the increasingly great geographic remoteness of gas production and consumption regions. This leads to an increase in expenses for gas transportation and the fundamental importance of energy resources saving by gas transportation in the structure of *Gazprom* cumulative expenditures. Equally important is the fact that energy saving, in particular reduction of losses and consumption of gas for own process needs enables a significant reduction in pollutants emission into the atmosphere.

In 2001, *Gazprom* adopted an Energy Saving Concept for 2001-2010. The Concept has for the first time determined the Company's energy saving potential for the period up to 2010, laid down the main energy saving objectives for the years to come, offered the most promising energy saving projects for implementation.

In order to realize its energy saving potential *Gazprom* has developed and already implemented Energy Saving Program for 2002-2003 and Energy Saving Program for 2004-2006.

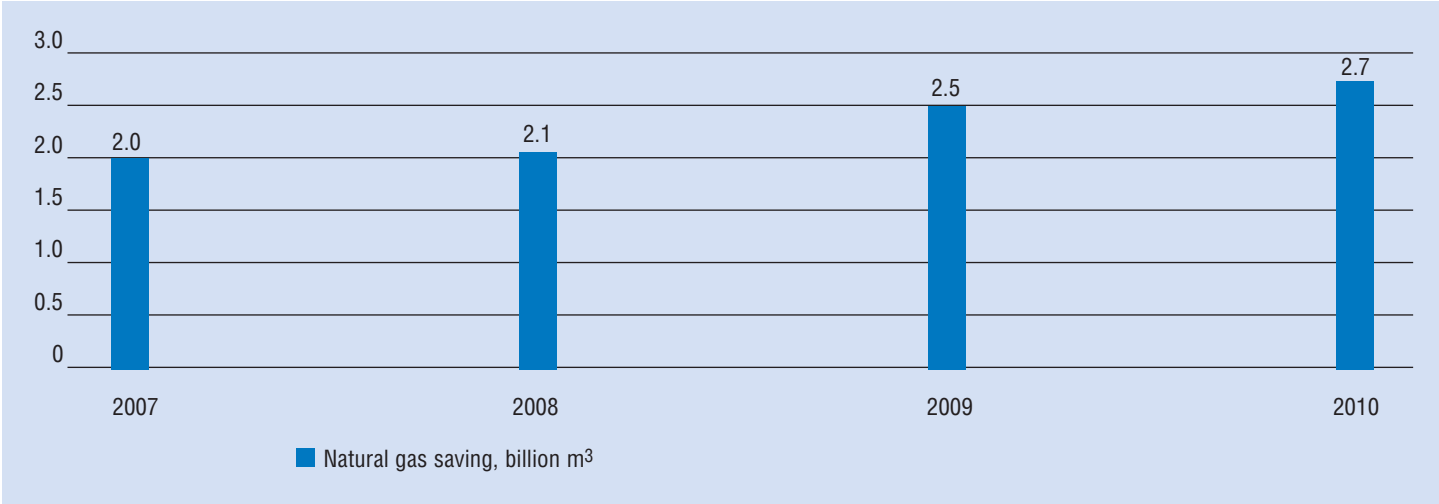
The implementation of the *Gazprom* Energy Saving Program for 2002-2003 saved approximately 4.9 billion m^3 of natural gas, 701 million kWh of electric power and more than 310 thousand Gcal of thermal power.

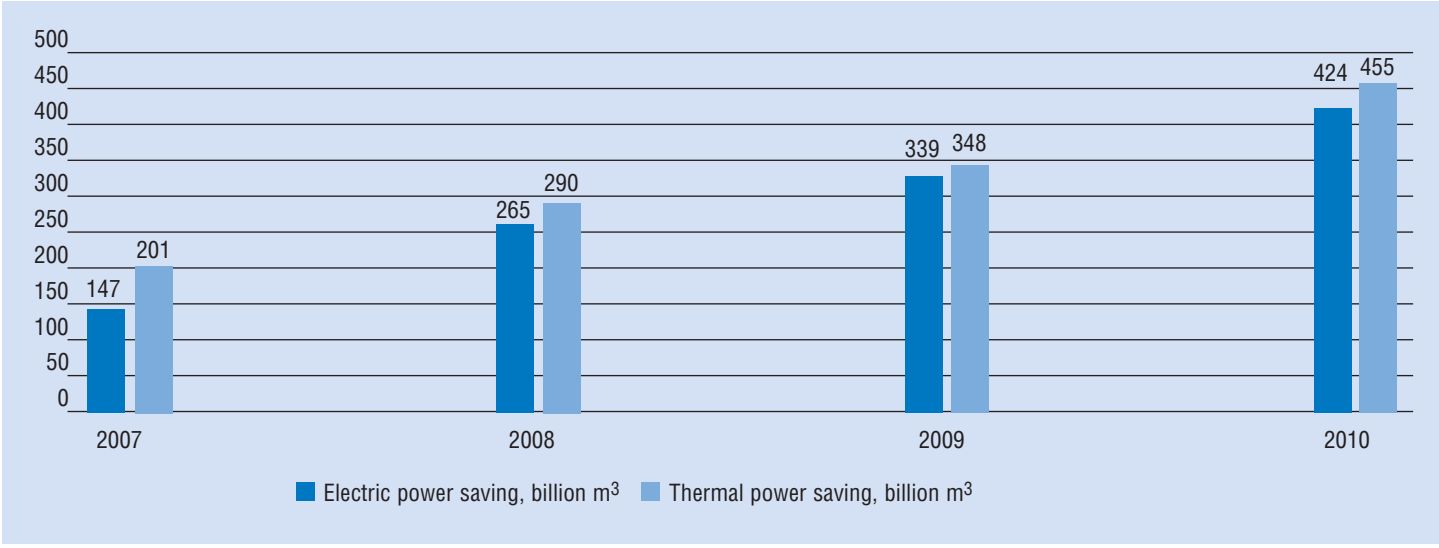
The implementation of the *Gazprom* Energy Saving Program for 2004-2006 saved 10.3 billion m^3 of gas, 1 392 million kWh of electric power, 916.2 thousand Gcal of thermal power.

The *Gazprom* Energy Saving Program for 2007-2010 was developed taking into account the results of implementation of both programs. Priority objective of the Energy Saving Program for 2007-2010 is to conduct energy saving measures that are to reduce the consumption of energy resources for the most significant cost items for own process needs in subsidiaries and ensure maximum realization of energy saving potential in *Gazprom*.

Energy Saving Program for 2007-2010 will allow saving 9.3 billion m^3 of gas, 1 175 million kWh of electric power and 1 294 thousand Gcal of thermal power for 3 years. The program realization costs will make up 8.5 billion rubles, expected economic effect is 16.4 billion rubles.

Distribution of Planned Energy Resources Saving by Years According to the Energy Saving Program for 2007-2010.





Implementation of measures provided by the *Gazprom* Energy Saving Program for 2007–2010 enabled total saving of energy resources in 2007 in the amount of 3.6 tons of fuel equivalent (against 2.4 tons of fuel equivalent planned).

Gazprom Energy Saving by Types of Activity in 2007

Activity type	Natural gas, million m³	Electric power, thousand kWh	Thermal power, Gcal
Production of gas, condensate and oil	421.5	11 800.1	24 033.5
Gas transportation	2 597.2	232 319.6	102 825.0
Underground gas storage	7.3	852.9	158.4
Processing of gas, condensate and oil	32.7	8 717.9	31 438.1
Drilling and overhaul of wells	0.2	13 617.8	11 763.6
Other types of activity	3.9	4 605.9	21 040.2
Total	**3 062.8**	**271 914.2**	**191 258.8**

Energy Saving Indicators by Types of Activity in 2007, thousand tons of fuel equivalent.

Types of production activity	Plan	Actual	Difference
Production of gas, condensate and oil	406.6	487.8	81.2
Major pipeline transportation of gas	1 931.6	3 051.5	1 119.9
Processing of gas, condensate and oil	17.0	44.6	27.6
Underground gas storage (4th quarter data)	10.5	8.7	- 1.8
Drilling and overhaul of wells	12.9	13.3	0.4
Other types of activity	18.2	9.0	- 9.2
Total	**2 396.8**	**3 614.9**	**1 218.1**

ENERGY SAVING IN GAS, CONDENSATE AND OIL PRODUCTION

Energy resources consumption volumes for own process needs in gas production companies comprise approximately 11.7 % of total *Gazprom* energy resources consumption volumes for own process needs. A bulk of expenditures (about 81 %) accounts for fuel gas, which is consumed by gas turbine drives of booster compression stations, as well as furnace and boiler units.

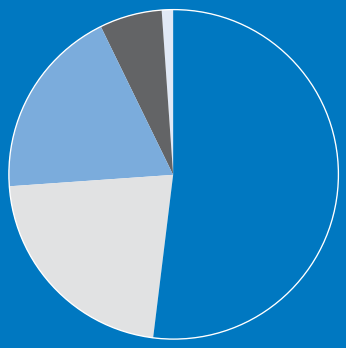
The Energy Saving Program for 2007 envisaged saving of energy resources by gas production in the amount of 406.6 thousand tons of fuel equivalent. Actual saving equaled 487.8 thousand tons of fuel equivalent (20 % surplus), including:

- Natural gas – 421.5 million m³ (98.5 % of total energy resources saving).
- Electric power – 11.8 million kWh (0.8 %).
- Thermal power – 24.0 thousand Gcal (0.7 %).

A bulk of natural gas saving was obtained in West Siberia fields: in Nadymgazprom – 248 million m³ (58.8 % of total); Yamburggazdobycha – 96 million m³ (22.8 %); Urengoygazprom – 64 million m³ (15.1 %).

The main effect of natural gas saving was obtained by introducing the technical solutions ensuring a decrease in gas consumption for own process needs and in gas losses.

Energy Resources Saving in Gas, Gas Condensate and Oil Production in 2007, %



- Introduction of technical solutions ensuring a reduction in process needs gas consumption and losses – 52
- Production facilities work optimization – 22
- Gas compressor plants modernization – 19
- Improvement of gas consumption accounting systems and equipment, introduction of automated process control systems, instruments and meters – 6
- Improvement of gas consumption control and accounting systems – 1

IMPROVEMENT OF GAS CONSUMPTION CONTROL AND ACCOUNTING SYSTEMS

Energy resources consumption volumes for own process needs in gas transportation companies comprise about 77.0 % of total *Gazprom* energy resources consumption volumes for own process needs. A bulk of expenditures (80.9 %) accounts for natural gas, which is consumed by gas turbine drives of gas-compressor units.

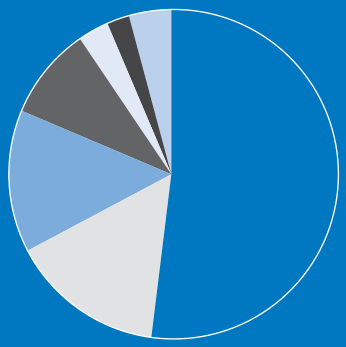
The Energy Saving Program for 2007 envisaged energy resources saving by natural gas transportation in the amount of 1.9 million tons of fuel equivalent. In the accounting year the implementation of energy saving programs by gas transporting companies resulted in a 58 % increase of actual savings, including:

- Natural gas – 2 597.2 million m^3 (97.0 % of total energy resources saving).
- Electric power – 232.3 million kWh (2.5 %).
- Thermal power – 102.8 thousand Gcal (0.5 %).

Major part of gas saving (about 86 %) was obtained in seven subsidiary enterprises: Tyumentransgaz (35.9 %); Volgogradtransgaz (23.7 %); Surgutgazprom (12.6 %); Uraltransgaz (3.6 %); Permtransgaz (3.3 %); Kavkaztransgaz (3.3 %); Severgazprom (3.2 %).

The main effect of gas saving was obtained by optimizing the operation modes of natural gas transportation system.

Energy Resources Saving in Natural Gas Transportation in 2007, %



- Gas transportation system technological facilities performance optimization – 51.4
- Reduction of gas losses in compressor stations production facilities, linear part of gas-main pipelines, gas distributing stations – 15.4
- Reconstruction and modernization of compressor departments, compressor stations, linear parts of gas-main pipelines, gas distributing stations– 14.9
- Improvement of gas-compressor units technical condition by means of repair – 9.2
- Reduction of gas consumption for process needs of gas-main pipelines, gas distributing stations – 3.1
- Enhancement of pipelines hydraulic efficiency – 2.1
- Other measures – 3.9

ENERGY SAVING IN GAS, CONDENSATE AND OIL PROCESSING

Gas processing plants account for about 9.7 % of total *Gazprom* energy resources consumption volume for own process needs.

The Energy Saving Program for 2007 envisaged saving of energy resources by gas transportation in the amount of 17.0 thousand tons of fuel equivalent.

Actual saving equaled 44. 6 thousand tons of fuel equivalent (2.5 times surplus), including:
- Natural gas – 32.7 million m^3 (83.9 % of total volume).
- Electric power – 8.7 million kWh (6.2 %).
- Thermal power – 31.4 thousand Gcal (9.9 %).

The major part of natural gas saving was obtained in Surgut West Siberian Company – 30.6 million m^3 (93.4 % of total volume).

The main effect of gas saving was obtained due to the following energy saving lines of activity:
- Overhaul of boiler units coatings.
- Reduction of fuel gas pipelines blowdown by launching natural gas consumption equipment.
- Repair of production equipment and pipeline heat insulators using modern heat-insulating materials.

ENERGY SAVING INDICATORS FOR UNDERGROUND STORAGE OF GAS

Energy resources consumption volumes for own process needs in underground gas storage comprise about 1.2 % of total *Gazprom* energy resources consumption. Main expenditures account for natural gas.

About 47 % of expenses structure is accounted for fuel gas for gas turbine drives of gas-compressor units

The Energy Saving Program for 2007 envisaged saving of energy resources by underground gas storage in the amount of 10.5 thousand tons of fuel equivalent. Actual saving in the 4th quarter of 2007 equaled 8.7 thousand tons of fuel equivalent, including:
- Natural gas – 7.3 million m^3.
- Electric power – 0.85 million kWh.
- Thermal power – 0.16 thousand Gcal.

The main effect of gas saving was obtained due to the following energy saving lines of activity:
- Reconstruction and modernization of compressor departments (replacement and modernization of gas-compressor units).
- Reduction in the number of blowdowns by gas extraction optimization.
- Wells survey without gas emission into the atmosphere.
- Replacement of Christmas-tree valves without killing of well.

ENERGY SAVING IN WELL DRILLING AND OVERHAULING

Energy resources consumption volumes for own process needs for well drilling and overhauling comprise about 0.3 % of total *Gazprom* energy resources consumption for own process needs. Main expenditures account for diesel fuel (31.1 %) and electric power (29.7 %). Natural gas comprises approximately 10 % of total energy resources consumption.

The Energy Saving Program for 2007 envisaged the saving of energy resources by well drilling and overhauling in the amount of 12.9 thousand tons of fuel equivalent. Actual saving in the 4th quarter of 2007 equaled 13.3 thousand tons of fuel equivalent (3.1 % surplus), including:

- Natural gas – 0.2 million m^3.
- Electric power – 13.6 million KWh.
- Thermal power – 11.8 thousand Gcal.
- Diesel fuel – 4.6 thousand tons of fuel equivalent.
- Boiler and furnace fuel – 2.3 thousand tons of fuel equivalent.

ENERGY SAVING IN OTHER TYPES OF ACTIVITY

In terms of energy resources consumption volumes for own process needs the share of subsidiary companies of other types of activity (supporting activities) comprise about 0.1 % of total *Gazprom* energy resources consumption for own process needs. The main expenditures (about 92 %) account for natural gas.

In *Gazprom's* subsidiary companies engaged in other types of activity 9 thousand tons of fuel equivalent was saved in 2007, including:
- Natural gas – 3.9 million m^3.
- Electric power – 4.6 million kWh.
- Thermal power – 21.0 thousand Gcal.

In general, *Gazprom* exceeded its energy resources saving plan by 148 %. The highest results were achieved in gas processing (32.7 million m^3 saved that is a 70.5 % surplus against the planned indicators) and in gas transportation (2.6 billion m^3 saved that is a 52.4 % surplus against the planned indicators).

The electric power saving plan was exceeded by 83.1 %. The most significant amount of electric power was saved in gas transportation – 232.22 million kWh. High thermal power saving results were achieved during natural gas transportation as well – 102.8 thousand Gcal (45.7 thousand Gcal planned). In general, the thermal power saving plan was overfulfilled by 22.9 %.

ENVIRONMENTAL ASPECTS OF REGIONAL ACTIVITIES

Gazprom industrial facilities are currently located in the majority of country regions. They are capable of influencing the environmental situation in considerable territories. *Gazprom* actively cooperates with regional authorities of the Russian Federation as regards environmental protection issues developing and maintaining the system of measures for the provision of ecological safety of gas industry facilities and carrying out set of measures designed for the mitigation of technological impact on the environment and population.

Legal framework of the cooperation is *Gazprom* cooperation agreements with the Russian Federation regional authorities. Currently such agreements are concluded with 78 regions of the Russian Federation.

A special priority area of *Gazprom* regional activity, having a high ecological significance, is gasification. Using natural gas in power generation industry means smaller emission of hazardous substances into the atmosphere. Thus, burning ton of coal using a conventional technology causes emission of approximately 40 g of nitrogen oxide, while the substance emission by using the equivalent quantity of fuel oil equals 20 g, and natural gas – only 3 g. Equally important is the fact that substitution of coal with natural gas reduces the carbon oxide emission by 1.5-2 times.

Gazprom has been implementing the Gasification Program for Russian Regions since 2005. Due to its scale and significance for millions of our citizens the Program received informal status of a national pro-ject. In the course of the Program implementation in 2005-2007 *Gazprom* increased preliminary planned amount of investments from 35 to 45 billion rubles. This provided for the including into the

Program of five additional territorial subjects of the Russian Federation: Irkutsk region, Republic of Karelia, Republic of Altai, Yamal-Nenets Autonomous Okrug and Republic of Daghestan. As a result of the Program implementation in 2006–2007 were gasified 1 200 population centers, 4.4 million of apartments and households, 23 thousand municipal enterprises and 5 thousand of boiler plants were switched to natural gas. By the end of 2007 gas penetrated to the houses of 13 million citizens in 58 regions of the Russian Federation. In the Program implementation period the level of the Russian Federation gasification increased from 54 % to 62 %, accounting for the country average of 67 % in cities and towns and 44 % – in rural areas. In 12 regions (the Republic of Mordovia, Chuvash Republic, Altai and Stavropol Krais, in Vladimir, Vologda, Kirov, Nizhniy Novgorod, Orenburg, Penza, Rostov and Tula Oblasts) *Gazprom* studied the influence of gasification on the social and economic situation, and developed a program of measures designed for the further gasification efficiency enhancement. Projects were prepared of legal and regulatory acts as well as procedural documents. Their adoption can positively influence the development of regional gas supply systems.

Continuing the existing practice contacts were maintained with regional authorities with respect to the realization of major *Gazprom* investment projects.

Examples of rapt focus on the environmental protection issues and combination of business, state and society interests are such *Gazprom* projects like the Blue Stream, Yamal – Europe, SRTO – Torzhok and other gas pipelines, which are successfully functioning for a number of years already. For the implementation of new projects the same approaches are used and maximum attention is paid to ecological safety issues.

In cooperation with a number of Northwestern Federal District regions authorities effective environmental protection solutions were promptly found during the construction of the onshore segment of the North-European Gas Pipeline, as well as the SRTO-Torzhok gas pipeline, gas pipeline branches to Arkhangelsk and Severodvinsk. In particular, compensation issues were successfully settled with Vologda and Leningrad Oblasts governments with respect to the reconstruction of public roads, allocation of lands for construction purposes and several other issues.

According to the Program for Developing in Eastern Siberia and the Far East of the Unified Gas Production, Transmission and Supply System Considering Possible Gas Export to China and other Countries of the Asia-Pacific Region (the Eastern Program) it is planned to create four new gas production centers: on the Sakhalin Island, in the Republic of Sakha (Yakutia), the Krasnoyarsk Krai, and the Irkutsk Oblast.

The implementation of the Eastern Program will allow to firstly satisfy current and prospective gas demand of Eastern Siberia and the Far East and proceed to the export of gas to the Asia-Pacific Region countries. In the context of the Eastern program implementation *Gazprom*, in the cooperation with the Republic of Sakha (Yakutia) government, participated in the elaboration of issues as regards the development of Yakutsk gas production center, construction of the 'Yakutsk gas production center – Khabarovsk' gas transmission system, as well as the development of the gas processing plant, and petrochemical complex.

Collaboration was continued with the representatives of Republic of Altai administration with respect to the Altai project implementation – construction of a pipeline system that shall unite gas fields of Western Siberia and Xinjiang Uygur Autonomous Region in the west of China. As a result, the Altai Republic authorities approved the declaration of intentions for the implementation of the project, carried out public hearings as regards the impact on the environment, as well as consultations on the compensatory construction facilities. Further preparation of the project and its implementation will be maximally transparent with the involvement of science and ecology specialists as well as mass media.

In 2007 activities were continued on the Bovanenkovskoye field with the participation of the Yamal-Nenets Autonomous Okrug administration representatives in the corrections of the draft Program for the Integrated Industrial Development of Hydrocarbon Deposits on the Yamal Peninsula. Public hearings were

held with respect to the impact on the environment at the construction of facilities for gas transmission from the Bovanenkovskoye field (in the Yamal-Nenets and Khanty-Mansiysk Autonomous Okrugs), as well as an executive retreat as regards the issue of construction and scheduled putting into operation of the Bovanenkovskoye field project elements.

Public hearings were also held on the gas liquefaction plant construction project in the Leningrad Oblast in the context of the integrated development of Saint-Petersburg and the Leningrad Oblast gas supply system.

Gazprom subsidiary companies in 2007 actively participated in the current regional programs for the improvement of ecological situation in the Russian Federation subjects. They have implemented their own programs and have developed new ones designed for the reconditioning of natural objects damaged by economic and other activities in order to make them applicable for further use.

In Orenburggazprom actions aimed at the mitigation of man's impact has been accomplished according to the Program of environmental measures for the improvement of ecologic situation in the Orenburg Oblast and the Environmental improvement of the Orenburg Oblast in 2005–2010 regional program.

Sponsor assistance was provided to residential areas adjacent to the territory of the Orenburg Petrochemical complex (4.22 million rubles). 918.2 thousand rubles were appropriated for environmental protection activities, environmental publications and events.

Yamburggazdobycha has been working in cooperation with the Taz District Administration for 16 years. As part of this cooperation the parties signed a Framework Agreement for 2005–2010, which includes major measures to safeguard the environment. Similar cooperation agreement between Nydinskoye company, the Nadym District office of Yamal – Potomkam Association and Yamburggazdobycha regulates environmental relations. Sponsor assistance related to the environmental protection was in 2007 provided to the Federal Agency for Veterinary and Phytosanitary Supervision of the Yamal-Nenets Autonomous Okrug (250 thousand rubles) and the Fund for Preservation and Recruitment of Siberian White Crane in the territory of the Yamal-Nenets Autonomous Okrug (1 million rubles).

In Volgotransgaz in the context of wildlife preservation activities plan of measures for 2007-2011 was developed for the prevention of birds' death on high-voltage power lines. For the implementation of the measures pre-project and project documentation for the construction of new and overhaul of existing power lines includes requirements for the equipping high-voltage power lines with special bird-protection systems. Installation of birds-protection systems made of polymer materials on insulators and adjacent wire segments, as well as replacement of non-insulated wires by isolated ones are viewed as basic measures for birds' death prevention. In 2007 ornithological surveys were conducted in the Nizhniy Novgorod Oblast and Chuvash Republic. On their basis, power line segments were determined, which require the implementation of birds' death prevention measures.

Permtransgaz implemented the Target Comprehensive Environmental Conservation Program for 2006–2010, which includes 8 subprograms aimed at the improvement of the environmental management system, the prevention and mitigation of the company production operations negative impact on the environment and wildlife living conditions.

Tyumentransgaz conducts environmental activity in close cooperation with regional and okrug authorities, which is reflected in agreements of cooperation between *Gazprom* and administrations of Yamal-Nenets and Khanty-Mansiysk Autonomous Okrugs. In the context of the International Environmental Event 'Save and Preserve', excursions were made in Yugorsk town to the Environmental Monitoring Center and Komsomolsk Linepipe Operation Center in order to get acquainted the participants with the Company environmental activities.

Irkutskgazprom actively participated in the Irkutsk Oblast Gasification Program. The company provided assistance in the improvement of the Lake Baikal coastal area ('Bolshaya Baikalskaya Tropa' Interregional Social Organization).

In October 2007, almost all branches of Kavkaztransgaz participated in the environmental action 'Saving Stavropolye Nature', which was arranged under the aegis of the Stavropol Krai government. In the context of the action the assistance was provided in the liquidation of spontaneous disposal sites and in bedding of planted land.

Kubangazprom within the frames of the Clear Water program constructed treatment facilities at the Berezanskaya Compressor Station of the Berezansky Linepipe Operation Center. In fall 2007 Kuban Honor social and information program was summarized. It coincided with the dramatic accident of oil spillage in the Kerch Strait. The cooperation of Kubangazprom with Kuban higher educational establishments started in the frames of the program provided for the revival of the ecosystems of two seas. Backed by gas workers Kuban University of Technology was able to equip and send several hundreds of students to the coastal area.

Cooperation of Tomsktransgaz with the regional administration and territorial environmental authorities took place during the examination and public hearings with respect to the feasibility study of the Altai gas pipeline project, including the arrangement and technological support of ecological expedition to the Ukok tableland with representatives of design institutes and non-governmental funds and organizations.

By order of Severgazprom monitoring was conducted of valuable and protected kinds of plants and animals in the territory of the Yugyd Va national park in the Maliy Patok catchment area (the Republic of Komi). Ichthyological and faunistic researches in the region of Ushelie ecological post continue a number of works (within the 2001–2005 program) for the study of flora and fauna in the territory of Yugyd Va national park in order to compare it with gas pipeline route environmental monitoring results.

Nyuksensky Linepipe Operation Center of Severgazprom has undertaken the activities aimed at the improvement of territory in Nyuksenitsa village of the Vologda Oblast – ornamental bushes and rare tree types planting.

On the basis of the town landscaping agreement between the administration of Vuktyl (the Republic of Komi) and Vuktylsky Linepipe Operation Center over 600 fir-trees and 303 broad-leaved trees were planted.

Gryazovetsky Linepipe Operation Center of Severgazprom conducted landscaping activities with respect to a cedar grove with 1.57 ha area located within the boundaries of Gryasovets town, the Vologda Oblast. Support of the nature object has been provided since 1995. Currently it is decided whether to include it into the list of especially protected natural objects of the Vologda Oblast.

Sponsor and charity contributions related to the environmental protection and totaling 2 264.6 thousand rubles were provided by Severgazprom in 2007 to 16 non-governmental organizations and movements – ELPROS environmental coordinating educational center for the issue of the Vologda Oblast Red List, Ukhta State Technical University for the arrangement of Severgeoecotech conference, the Izvatas Komi Republic social movement of Komi-Izhemtsy, two horse clubs – Fortuna (Sosnogorsk town) and Kapriol (Ukhta town, the Republic of Komi); Pechora-Ilychsky State Nature Biosphere Reserve and Yugyd Va national Park and other.

POLLUTION-FREE FUEL FOR TRANSPORT

A significant area of *Gazprom* activities in cooperation with the Russian Federation regions is concerned with the conversion of motor vehicles to gas fuel.

Motor transport is one of the largest contaminators of the environment. Motor vehicle fleet of the Russian Federation nowadays injects into the atmosphere more than 15 million tons of pollutants per year which comprises 42 % of total industrial emissions into the atmosphere, and in large cities – up to 90 %. In this respect mitigation of motor transport emissions is a pressing issue.

Natural gas has been a best commercially efficient energy carrier capable of replacing oil motor fuels. Besides, it has a number of advantages as compared to oil and refining products, where high ecological compatibility and low price are dominating.

World fleet of motor transport working on compressed natural gas (CNG) grew in the previous year by 2 million units (36 %) and exceeded 7.5 million units, comprising about 1 % of the total number of global motor vehicles. At that, the number of CNG refueling stations reached almost 12 thousand, and accounted consumption of compressed methane – 15 billion m^3, with a 30 % increase as compared to 2006.

In 2007 the European Business Congress made a resolve to provide funds for the preparation of technical and economic assessment of the Blue Corridor international project envisaging the arrangement of international transportations with the prior use of CNG as the motor transport fuel. In 2008 countries will be determined that will take part in the project implementation. They will include the Russian Federation, Germany, Belarus, Ukraine and Bulgaria. For the project implementation it is planned to create Euroautogas European Consortium.

The energy strategy of the Russian Federation stipulates that by 2010 gas types of fuel shall replace up to 5 million tons of oil products, and by 2020 – 10-12 million tons of oil products.

Federal Law on the Use of Alternative Motor Fuels and other legal acts are being developed. They will clear the way for a full-scale country's motor transport gasification with an active participation of federal, regional and municipal authorities, as well as public and private companies. Currently *Gazprom* continues the independent development of gas-motor market, including into the process business structures, as well as administrations of several cities and subjects of the Russian Federation.

In March 2007 *Gazprom* Management Committee Chairman Alexey Miller approved the Targeted Comprehensive Program for the NGV Refueling Network and Fleet Development for 2007–2015, which stipulates the construction of over 200 CNG refueling stations in the Russian Federation only on *Gazprom's* account, growth of motor transport fleet working on natural gas by 50 thousand units, as well as the liquidation of non-gasified segments of federal and regional highways. Annual sale of CNG in the Russian Federation shall rise to 700 million m^3. This will provide replacement of 500 thousand tons of liquid motor fuel and mitigation of hazardous emissions into the atmosphere by 320 thousand tons a year.

Significant changes into this program of *Gazprom* can be introduced by the integrated gasification of Sochi transportation center considering the preparation for the 2014 Winter Olympic Games. Currently *Gazprom* prepares proposals for the implementation of the project.

Assigning great importance to environmental protection and energy resources saving issues *Gazprom* pays special attention to the conversion of its own transport to natural gas and promotion to the Russian market of prospective technologies and equipment facilitating CNG use as motor fuel. Works are also carried out for the conversion of river, railway and air transport to natural gas.

CNG refueling stations are integrated into 20 *Gazprom* production, transportation, processing enterprises. Production and marketing of CNG, as well as equipment maintenance in this activity segment is an additional business for them, however, soon this type of activity will be segregated in the context of the internal corporate structure improvement. All gas-motor assets (CNG refueling stations, mobile refueling units, CNG conversion stations and etc.) are planned to be consolidated into a new 100 % *Gazprom* subsidiary company – *Gazprom* Avtogaz.

Currently the establishment of special gas-motor branches is at the final stage in *Gazprom* enterprises (e.g., in Mostransgaz it is Tsentravtogaz, in Lentransgaz it is Lenavtogaz, etc.). Later they will be reorganized into *Gazprom* subsidiary companies and transferred to *Gazprom* Avtogaz. This structure will be engaged in the implementation of CNG refueling stations network development program in Russia and probably abroad, while representing the Russian Federation and *Gazprom* interests in Euroautogas company projects.

Gazprom is engaged in the gasification of its own motor transport fleet – today, approximately 6 thousand vehicles out of 28 thousand use CNG.

In Volgotransgaz 780 thousand liters of liquid fuel were replaced by gas in 2007 due to fueling of own transport switched to gas-motor fuel. At the same time the ecological effect was obtained in the form of hazardous substances emission mitigation into the atmosphere, and resources savings through CNG use amounted to 3.7 million rubles. In 2007, Volgotransgaz exploited 255 motor transport units using CNG, including 10 gas-fueled buses.

Tattransgaz participates in the implementation of the Conversion of the Tatarstan Republic Vehicles to Using CNG as Motor Fuel program. 21 subsidiary company's vehicles and 162 third parties' vehicles were converted to CNG in the accounting year, CNG sales through the CNG refueling stations network rose by 3 %.

Tomsktransgaz also has been implementing the program aimed at the conversion of automotive and farm vehicles to compressed gas as the most environment friendly fuel. In the context of the program eight own vehicles were switched to gas. 19 051 thousand m^3 of gas were sold through CNG refueling stations, by 7 % more than in 2006. The number of refueling stations also increased and amounted 528 338, by 4 % more than in 2006. In December 2007, as part of the program for the Russian Federation regions gasification CNG appeared in Bratsk. In the newly created Irkutsky Linepipe Operation Center the fueling module was installed to provide for the extension of the sales network of gas-motor fuel in Siberia region. Large piece of work has been done by *Gazprom*, the local administration and Tomsktransgaz to fulfill the plans.

In Volgogradtransgaz in 2007 1 430.82 thousand rubles were invested in the installation of equipment designed for using CNG fuel.

By efforts of Kavkaztransgaz 198 transport vehicles were converted to CNG. 24 of them for the total sum of 1 581.9 thousand rubles belong to the subsidiary company.

In Lentransgaz 45 motor vehicles were switched to gas fuel in the accounting year. 20 of them belong to Lentransgaz and 25 – to third party organizations. By January 1, 2008 the number of NGVs in the subsidiary company equaled 103.

Domestic market of NGV fuel is expanding, in many ways due to the policy conducted by *Gazprom*. Utilization of gas as a vehicle fuel in line with Euro 3 and Euro 4 oil fuel will provide more clean air in the Russian Federation regions.

EDUCATION AND PROFESSIONAL TRAINING

Continuous education of *Gazprom* managers and specialists participating in environmental protection activity at qualification development and training courses is one of the necessary conditions of providing the required level of their expertise and knowledge.

The *Gazprom's* system of continuous professional education includes Education and Research Center for Qualification Development at Gubkin Russian State University of Oil and Gas in Moscow, Gas Industry Research, Education and Simulation Center in Kaliningrad and *Gazprom* Corporate Institute.

Qualification development of managers and specialists in the field of environmental protection also takes place in the Advanced Qualification Specialists Training Center of VNIIGAZ, where seminars are held on the following issues: Industrial safety in the petroleum industry, Energy saving and provision of legal requirements to the quality of transported gas, Urgent issues of gas use in transport.

In the accounting year, 2.2 thousand of *Gazprom* subsidiaries employees took part in different programs and forms of environmental education. Qualification development programs covered almost all spheres of environmental protection activity in the industry. For the most part full-time course of study was applied. The scope of training courses comprised over 27 000 academic hours.

In 2007, *Gazprom* Corporate Institute Saint-Petersburg and Moscow branches developed and implemented special programs touching upon environmental protection and energy saving topics.

Education of specialists and their professional training was carried out using a wide range of programs, including:

- Ecology, environmental protection and rational nature management;
- Ecological monitoring and audit in gas industry;
- Ecological safety and treatment of production and consumption wastes;
- Calculation of payment for negative impact on the environment and procedure for filling and submitting the from for calculation of payment for negative impact on the environment;
- Ecologic appraisal, audit, legislation, ecologic management system in the context of ISO 14001;
- Evaluation of environmental impact by petroleum complex enterprises;
- Control over industrial emissions, atmospheric and working areas air;
- Changes in the legislation with respect to the calculation of payment for negative impact on the environment;
- Measurement of hazardous emissions using gas analyzers;
- Analytical control of industrial enterprises in a laboratory practice;
- Urgent issues of environmental protection activity;
- Provision of technogenic and ecological safety of petroleum enterprises;
- Environmental impact assessment, audit, ecologic management system.

Besides, in the Company Management comprehensive course of professional training for management personnel and specialists (comprising 6 modules totaling over 1 000 class hours) environmental protection and energy saving study is provided by Macroeconomics, Company Economy and Finances, Company Business Plan disciplines. In 2007, 96 managers and specialists joined the course, 55 persons finished the education.

Environmental protection issues are envisaged in the course Professional Adaptation of Graduates (total scope of 2 modules equals 172 class hours). In 2007, Moscow branch of the Corporate Institute provided training for 106 graduates.

In 2007, specialists of subsidiary companies trained in many regional educational establishments, including:

- Severgazprom Personnel Training Center;
- West Siberian Scientific Research Engineering and Ecological Academy (Khanty-Mansiysk Autonomous Okrug, Nizhnevartovsk);
- Bashkir Interindustrial Institute for qualification development in the sphere of labor protection, industrial and ecological safety;
- Kuban State Agrarian University, Educational Ecological Center of Research Institute for Applied Experimental Ecology;
- Ukhta State Technical University;
- Nizhniy Novgorod State Architectural and Construction University Qualification Development Institute;
- Research Institute of Ecology under National Academy of Science and Arts of the Chuvash Republic.

Large-scale educational program was implemented by Astrakhangazprom. With the purpose of maintaining effective functioning of ecological management system the following education was conducted:

- 24 specialists and mangers participated in a 520-hour in-service training in the context of professional training by the first part of the Environmental Protection and Rational Nature Management course of the Manager in the Field of Environmental Protection program on the basis of Nizhne-Volzhsky Consulting Center with the engagement of Gubkin Russian State University of Oil and Gas teaching staff;
- 254 specialists of structural departments participated in a 52-hour Ecological Safety program on the basis of the educational center;
- 1 321 workers participated in a 4-hour Environmental Protection program course on the basis of the educational center.

Part of specialists from Nadymgazprom, Kavkaztransgaz, Yamburggazdobycha, Novourengoysky mining and chemical company, Surgutgazprom underwent training in Environmental Impact Assessment, Audit, Ecological Management Systems abroad (in Wintershall Holding AG, Kassel, Germany).

ENVIRONMENTAL INFORMATION

In accordance with its Environmental Policy obligations *Gazprom* provides information disclosure with regard to its environmental activities.

Gazprom's annual report comprises a special Environmental Protection, Energy Saving and Research and Development section. Materials representing environmental activities are regularly published in the *Gazprom* magazine, in specialized corporate publications, as well as on the Internet.

Since 1995 the Company has been traditionally producing annual Environmental Report. Environmental Reports are sent to federal and regional authorities, specialized and environmental organizations, universities and libraries. Environmental reports are available to the general public on *Gazprom* official website (www.gazprom.ru).

Annual Environmental Reports are also prepared by *Gazprom* subsidiary companies – Astrakhangazprom, Orenburggazprom, Kavkaztransgaz, Severgazprom, Yamburggazdobycha and others. Other forms of information disclosure are also provided.

Thus, Astrakhangazprom annually summarizes an ecological agency activities inviting to the extended session representatives of authorities, nature protection entities, prosecutor's office, public health, mass media, public organizations. Information on environmental activity aspects is included in annual reports (booklets) on environmental protection, is regularly covered in mass media, is provided to supervision bodies and authorities, as well as general public on request. On a regular basis articles of specialists and scientists are published related to various ecological aspects of Astrakhangazprom activity. Over a period

of several years TV channel 7+ broadcasts a popular program Humans and Nature. TV channel 7+ and Avtoradio daily broadcast information on the environmental situation in Astrakhan Gas Complex area.

Information on environmental activity of Yamburggazdobycha in 2007 was provided in presentations for various level delegations, demonstrated at the exhibitions, conferences and contests conducted by *Gazprom*, okrug and town administrations. Throughout 2007, 16 information materials dedicated to Yamburggazdobycha environmental activity were prepared. 52 materials were presented in the Internet, 5 – on regional TV channels and 9 in printed publications.

Representative multimedia products were issued:
- CD with video and audio information concerning Yamburggazdobycha activity. Information on the nature protection activities are provided in the Our Priorities – Environmental Policy section.
- Video film dedicated to Yamburggazdobycha. Information on the environmental protection is provided in Yamburggazdobycha Innovative Activities and Ecology sections.

All information is provided in three languages (Russian, English, and German).

Since 2005 annual information on Surgutgazprom activity in the area of environment protection is published in Press Kit agency materials. Besides, in 2007 newspapers and magazines 4 articles were published reflecting ecological aspects of the Company production activities.

In the course of 2007, for the purposes of informing general public about nature protection activity of Tomsktransgaz materials were placed in regional mass media and *Gazprom* magazine that touched upon environmental protection operations by gas transportation facilities construction projects implementation, advantages of gas-motor fuel. By arrangement of journalists press-tour to production facilities, information materials were prepared that related to the significance of CNG stations for improvement of ecological situation in the regional cities and towns. Information with respect to the implementation of gas supply to regions project, construction of gas-main pipeline Barnaul – Biysk – Gorno-Altaisk were provided by regional TV companies and printed in mass media. Information in the form of news was provided in the newslines of information agencies in the regions, on the official websites of executive authorities of the Altai Krai, Tomsk, Omsk, and Novosibirsk Oblasts.

Information on the Environmental Policy of Permtransgaz was provided in Delovaya Reputatsiya magazine and Promyshlennaya i Ekologicheskaya Bezopasnost sci-tech journal. Ecological topics have been regularly raised in Gas-Express newspaper. During the year materials on nature protection and social activity of Permtransgaz were published in the regional mass media and Ekologiya Proizvodstva magazine.

Information with respect to the ecological aspects of Tyumentransgaz activity was provided to the general public through the TV programs of Nord informational center, Transport Gaza newspaper, on the Internet.

Lentransgaz publishes annual reports including the Environmental Protection section, and also prepares separate informational materials.

Nadymgazprom public and mass media relations service regularly publishes information in Russian and regional mass media and on the Internet, which highlights environmental policy of Nadymgazprom. Ecological activity aspects were regularly covered by TV and radio broadcasting (7 programs were prepared) and by Gazovik newspaper (3 articles were published).

Environmental policy of Noyabrskgazdobycha and other materials related to the environmental protection are provided on the website.

In Orenburggazprom annual environmental reports have been published for several years. Major forms and methods of work with general public and mass media are communications in regional titles on the environmental monitoring results, visits arrangement for journalists to the Company environmental facilities (in 2007 nine such visits were arranged), holding of press conferences (4 press conferences were held in 2007), creation of exhibit stands in rural areas with information on ecological monitoring results in 18 residential areas. In 2007, 49 press releases were produced with regard to environmental protection. The Company's Za Orenburgsky Gaz newspaper provided considerable coverage of the subject matter. 129 articles on Orenburggazprom environmental activities were published in regional newspapers, 70 news reports were broadcast by TV and radio channels, articles were published in Orenburgsky Krai, Gas Industry, *Gazprom*, Territoriya Neftegaz, Zashchita Okruzhayushei Sredy v Neftegazovom Komplekse, and Ekologiya Proizvodstva magazines. 144 press releases appeared on various websites.

Samaratransgaz in 2007 provided information for 2000–2006 for the appraisal of social and ecological aspects of its activity to the Independent Ecological Rating Agency NERA. In the regional rating of social and ecological responsibility of leading companies Samaratransgaz ranked 3, and as regards transparency of reports accounting it took the lead.

The 10th annual Environmental Report of Severgazprom issued in 2007 was sent to controlling and public organizations. On the Severgazprom website the Ecology section was created, where the Environmental Policy is disclosed together with Environmental Reports for the last 4 years.

Urengoygazprom in 2007 prepared a multimedia presentation dedicated to sci-tech and environmental achievements of the Company introduced to specialists and public during a number of exhibitions. Information materials highlighting environmental protection were published in the previous year in the Gaz Urengoya newspaper (4 materials), on the Company TV channel (4 broadcasts) and electronic mass media (12 materials).

CONTESTS, EXHIBITIONS

In 2007, *Gazprom* participated in many national and international forums, conferences and exhibitions with considerable focus on the environmental aspects of production activity. Environmental achievements were presented at large-scale exhibitions – 9th Moscow International Oil and Gas Exhibition 2007 (MIOGE-2007), 17th New Technologies in the Oil and Gas Industry, Energy and Communications International Congress (CITOGIC-2007), as well as at specialized exhibitions – 15th International Conference and Exhibition on Liquefied Natural Gas (LNG 15), 5th International Specialized Forum for Gas Distribution and Effective Use (Gas SUF-2007).

Numerous awards of subsidiary companies in various environmental contests, exhibitions and ratings demonstrate the high professional appraisal of *Gazprom* environmental activities.

In 2007, Volgotransgaz ranked 1 in the Resource Saving and Ecology nomination at the Russian Organization of a High Social Efficiency All-Russian Contest, arranged by the Russian Federation Government.

Kavkaztransgaz was the second in the accounting year in the social and ecologic rating, prepared by NERA and International Social and Ecological Association. During the contest arranged by the Federation Council Committee for Science, Culture, Education, Healthcare and Ecology Kavkaztransgaz was awarded a diploma and European Quality Gold Medal in the nomination '100 Best Russian Organizations. Ecology and Ecological Management'.

Orenburggazprom became the winner of the 3rd All-Russian Contest 'Leader of Environmental Protection in the Russian Federation 2007'.

Gazprom subsidiaries are traditional participants of the National Environmental Award contest held by the Non-Governmental Ecological Vernadsky Foundation and the Ecology Committee of the State Duma of the Russian Federation to discover and encourage the most effective R&D relating to energy/resource efficient technologies and clean production. Astrakhangazprom became the winner in the Environmental Management nomination with its project called Development, Introduction and Functioning of Environmental Monitoring Systems. Surgutgazprom was named a winner in the Energy and Climate nomination. In the Education for Sustainable Development nomination Kavkaztransgaz was awarded a winner diploma for the Environmental Management at Gas Industry Enterprises in Compliance with ISO 14000 Methodological Guide project.

Tomsktransgaz became a winner of national environmental award for the implementation of the project: Tomsktransgaz Gas Transmission Network Advanced Development with putting into operation of new gas pipeline branches and gas distribution stations in the Omsk, Novosibirsk Oblasts and Altai Krai aimed at the improvement of the regional ecology. The project was awarded for the contribution into the strengthening of environmental safety and sustainable development of the Russian Federation.

Tyumentransgaz participated in the 'Yugra. Oil. Gas. Ecology' exhibition (Khanty-Mansiysk) and received a diploma in the Modern Approaches to the Environmental Security of Technological Processes nomination. In the Environmental Security 2007 contest arranged by Rostekhnadzor at the Urals Federal District among the District enterprises, Tyumentransgaz was among winners in the Company Environmental Management nomination and Achievements in the Area of Air Protection nomination.

Yugtransgaz was acknowledged the best company of Saratov Oblast fuel and energy complex in the field of environmental safety.

OUR ECOLOGISTS

High professionalism, commitment to business, precision of managing tasks and creative approach to their solution are major features of our ecologists. Each annual Environmental Report traditionally tells the readers about the *Gazprom* people who contributed most to environmental challenges solution.

This year we would like to introduce two of them, G. A. Sokolova (Severgazprom) and S. A. Kalashnikov (Yamburggazdobycha).

Galina Anatolievna Sokolova, after graduating in 1989 from the Ukhta Industrial Institute, majoring in hydrogeological engineering started her career from the position of assistant of chemical analysis laboratory in the Severgazprom Sosnogorsky Linepipe Operation Center. She was largely responsible for the control over the wastewaters treatment quality. In the beginning of 1990 she was appointed to the newly introduced position of the environmental engineer.

For 17 years of her work in the Sosnogorsky Linepipe Operation Center. Galina Anatolievna passed all professional growth stages and became a high qualified specialist. This was contributed by a solid approach to assigned tasks and constant improvement of professional and educational levels. In 2002, she got the second higher education qualification majoring in Law, which assists her in the interaction with supervisory authorities. In 2004, G. A. Sokolova underwent the Ecology, Environmental Protection and Natural Management in Petroleum Industry professional training in the Advanced Training Institute at Ukhta State Technical University.

She willingly shared the gained experience in environmental activities with colleagues and students-ecologists from Moscow, Saint-Petersburg and Vologda educational establishments who received practical training. The branch where she works has always been of high standing with respect to environmental activities. Twice in four years of contests for Severgazprom Best Branch for Environmental Protection award, the Sosnogorsky Linepipe Operation Center became a prize-winner. This was facilitated by contribution of Galina Sokolova to the introduction in the branch of Environmental Management System on the basis of ISO 14000 standards.

Therefore in 2007 Galina Anatolievna was not accidentally appointed to the position of Senior Environmental Engineer in Severgazprom Administration to account for the performance and improvement of the Environmental Management System.

Sergey Alexandrovich Kalashnikov in 1979 graduated from the chemistry department of N. I. Lobachevsky State University of Nizhniy Novgorod, majoring in Organic Chemistry. After graduating from the university S. A. Kalashnikov worked in the specialty for 12 years. At the end of 1992 Sergey Alexandrovich started working in Nizhniy Novgorod Ecology and Nature Management Committee, later renamed to the Environment and Natural Resources Protection Committee. Since then his professional activity has been related to the environmental protection. He worked at the positions of Senior Chemical Engineer, Analytical Control Department Deputy Head. During his career Sergey Alexandrovich became a lead specialist in instrumental quantitative analysis.

Since 2001 S. A. Kalashnikov has been working as a Senior Engineer in Yamburggazdobycha Environmental Protection Research Laboratory and Research and Production Directorate. He is a highly qualified expert, disciplined employee and good-minded person. By the direct participation of Sergey Alexandrovich the atomic absorption analysis equipment was installed in the laboratory. They raised determination of heavy metals in natural environments to qualitative new level.

S. A. Kalashnikov is the author of a number of applied production innovating proposals. He constantly initiates the introduction of new modern methods for quantitative chemical analysis. Their high selectivity, response and accuracy are the major conditions for a reliable environment monitoring and its changes forecast.

NEW ENVIRONMENTAL TARGETS

Gazprom is a first Russian company that adopted its own Environmental Policy (1995). Considering the increased requirements to environmental protection *Gazprom* raised its voluntary commitments, which are reflected in the second version of its Environmental Policy adopted in 2000. In this version new global environmental trends were accounted, efforts of different countries to work in compliance with unified environmental standards paying considerable attention to labor safety issues.

Today, when *Gazprom* is a global energy company, its responsibility for the preservation of the environment, environmental production safety, ecological and social liabilities are even higher.

In this respect pursuant to *Gazprom* Management Committee Resolution as of December 21, 2006 a new *Gazprom* Environmental Policy was developed.

Gazprom Environmental Policy is based on the Russian Federation Constitution, federal laws and other regulatory legal acts of the Russian Federation, international treaties of the Russian Federation in the sphere of environmental protection and rational utilization of natural resources.

Basic principle of *Gazprom* activity was determined as a sustainable development, which is understood as a stable economic development by maximum rational utilization of natural resources and preservation of the environment for future generations.

For the implementation of this principle *Gazprom* undertakes the following obligations:

- In its operational activities sticking to the principles of the Russian Federation Ecological Doctrine, approved by the Russian Federation Government Resolution No. 1225-p dated August 31, 2002.
- Providing resources saving, mitigation of negative environmental impact, take all possible measures for the conservation of climate, bio-diversity, and for the compensation of all possible damage to the environment.
- Enhancing energy efficiency of production processes at all stages.
- Providing constant improvement of environmental activities, as well as the environmental management system.
- Preventing pollutions, which means the supremacy of preventive measures aimed at the non-admission of negative environmental impact compared to actions related to the elimination of such impact consequences.
- Continuously improving labor safety conditions and occupational safety in its production facilities, ensuring labor in conditions that meet requirements of security and health standards.
- Taking into account interests and rights of native minorities with respect to their traditional way of life and preservation of the original living environment.
- Providing gas supply to residential areas in order to improve Russian population living standards.
- Providing continuous professional and environmental education of employees.
- Providing availability of environmental information related to *Gazprom* business activity, transparency of its environmental activities and relevant decisions.

High obligations voluntarily taken by *Gazprom* when adopting new Environmental Policy are an effective basis for the achievement of following long-term strategic goals:

- mitigation of a specific negative man-caused environmental impact (in conversion to market product unit);
- efficiency increase of non-renewable natural resources and energy sources utilization to a maximum possible technological level;
- abidance by all regulations set by national, local laws and international legal documents with respect to environmental protection;
- setting internal corporate environmental standards that are tighter as compared to national standards in those areas where it facilitates implementation of the Environmental Policy;
- involvement of all personnel into operations aimed at environmental risks mitigation, improvement of environmental management system and production indicators with respect to environmental protection.

Achievement of strategic environmental goals will be accomplished in *Gazprom* by virtue of:

- introduction and maintenance of effective environmental management system based on international standard ISO 14001 requirements and the best applicable practice;
- cooperation with all parties involved in the business of energy resources production and supply in order to minimize environmental impact and enhance rational utilization of resources;
- participation in global and international programs aimed at achieving sustainable development, climate and bio-diversity conservation;
- target planning of actions for the mitigation of environmental risks and measures for the implementation of the Environmental Policy;
- allocation of substantial organizational, material, personnel and financial resources to secure the fulfillment of undertaken obligations;
- conduct of reclamation and other technical and organizational measures for the compensation of damage incurred to the environment;

- arrangement and conduct of researches in the sphere of renewable energy sources and enhancement of their efficiency;
- application of best available technologies in all production spheres;
- inclusion of environmental factors into the technologies, materials and equipment purchase policy, fulfillment of works and services by contractors;
- implementation of environmental certification of products;
- conduct and stimulation of scientific research aimed at the increase of energy efficiency, mitigation of negative environmental impact and risks;
- insurance of high environmental risks;
- improvement of environmental education system and motivation of personnel for the use of creative potential of every employee for the purposes of resources saving and environmental risks mitigation;
- active participation with civil society entities interested in environmentally secure performance.

For the practical implementation of the Environmental Policy obligations the List of high-priority *Gazprom* activities for the period up to 2010 was developed.

The List takes comprises the range of works required for the support of *Gazprom* activity in accordance with regulatory and legal environmental documents requirements as well as the specific character of *Gazprom* works, and up-to-date experience of largest foreign and national companies with respect to the arrangement and maintenance of environmental activities.

Implementation of the List is provided as part of:
- comprehensive *Gazprom* programs such as the General Scheme for *Gazprom* Gas Industry Development up to 2030; program for the Unified Gas Supply System facilities reconstruction and technical re-equipment;
- implementation of a number of Company mega-projects (North European Gas Pipeline, gas supply to Asia-Pacific region countries, development of sea shelves of the Russian Federation and etc.);
- separate themes, action plans, and projects.

Among the listed activities the following are worth mentioning:
- provision of environmentally safe sustainable development;
- mitigation of negative environmental man-caused impact, further development of environmentally friendly production;
- energy and resources saving;
- effective management of environmental risks;
- solving environmental problems of previous years;
- measures related to *Gazprom* environmental activities in the regions of the Russian Federation;
- provision of *Gazprom* personnel and subsidiaries' participation in the environmental policy implementation;
- improvement of control over contractors activity in the sphere of environmental protection;
- improvement of information support system;
- provision of image related environmental support of *Gazprom* operations.

SUMMARY

As can be seen from the above mentioned data, environmental protection is a high priority activity of *Gazprom*, that conducts a complex of operations aimed at the preservation and rational utilization of natural resources, mitigation of negative impact on natural environment and applies various technological and technical solutions, while investing considerable funds in environmental measures.

Environmental Management System was established and successfully functions in *Gazprom*. In order to improve the system, *Gazprom* Coordinating Council for Environmental Protection Issues and *Gazprom* Environmental Inspection were created in 2007.

Independent audit of Environmental Management System confirmed that *Gazprom* conducts a full-scale work aimed at the observance of environmental regulations, ecological norms and standards, employs the relevant highly qualified personnel and technologies.

In order to mitigate negative impact on the environment, as well as resources and energy saving, in 2007 works were continued on modernization and reconstruction of *Gazprom* production facilities. A large scale of administrative and technical measures was accomplished for the rational utilization of water resources, increase of circulating water supplies volumes. Pressurized tie-in technology without outgassing by repair works was continued to be introduced, a considerable part of work was done with respect to technical diagnostics of main pipelines, prevention of leakages and losses of natural gas.

Environmental activities in 2007 was conducted in all *Gazprom* subsidiaries. As the result of accomplished works it became possible to stabilize the amount of pollutants emission into the atmosphere, reduce water consumption and water discharge, reduce the volume of produced wastes.

Consistent energy saving policy in all types of activity is an integrated part of *Gazprom* general policy and is conducted considering the requirements of Energy Strategy of the Russian Federation up to 2020.

Energy saving in *Gazprom* is provided by means of natural gas, electric power and thermal power, boiler and furnace fuel utilization efficiency enhancement in all industrial areas: production, transportation, storage and processing of gas, gas condensate, oil and oil products.

In 2001, *Gazprom* adopted the Energy Saving Concept for 2001 through 2010. The Concept for the first time determined the *Gazprom* energy saving potential for the period till 2010, laid down main energy saving objectives for the following years, and offered the most prospective energy saving projects for implementation.

For the realization of *Gazprom* energy saving potential two programs have been developed and implemented by nowadays: *Gazprom* Energy Saving Program for 2002 through 2003 and *Gazprom* Energy Saving Program for 2004 through 2006.

Implementation of the *Gazprom* Energy Saving Program in 2002 through 2003 resulted in saving of approximately 4.9 billion m^3 of gas, 701 million kWh of electric power and over 310 thousand Gcal of thermal power.

Implementation of the *Gazprom* Energy Saving Program for 2004 through 2006 allowed saving of 10.3 billion m^3 of gas, 1 392 million kWh of electric power; 916.2 thousand Gcal of thermal power.

Gazprom Energy Saving Program for 2007 through 2010 was developed taking into account the results of these two programs implementation.

The priority objective of the Energy Saving Program for 2007 through 2010 is conducting of energy saving measures that shall reduce the consumption of energy resources for the most significant cost items for own process needs in subsidiaries and ensure maximum input of energy saving potential in *Gazprom*.

Energy Saving Program for 2007 through 2010 will provide for saving 9.3 billion m^3 of natural gas, 1 175 million kWh of electric power and 1 294 thousand Gcal of thermal power for 3 years. The program implementation costs will make up 8.5 billion rubles, the expected economic effect is 16.4 billion rubles.

Gazprom actively cooperates with regional authorities of the Russian Federation as regards environmental protection issues developing and maintaining the system of measures for the provision of ecological safety of gas industry facilities and carrying out set of measures designed for the mitigation of a man-caused impact on the environment and population.

For the provision of environmental activity efficiency in modern conditions, taking into account increased requirements to the rational utilization of nature resources, in 2007 *Gazprom* developed new Environmental Policy and List of high-priority activities related to environmental protection for the period up to 2010, which provisions are currently being implemented.

NOTES

In order to ensure a unified corporate style used by *Gazprom* subsidiaries registered in the territory of the Russian Federation a number of subsidiary companies are to be renamed.

Current name	New name
Astrakhangazprom	Gazprom dobycha Astrakhan
Bashtransgaz	Gazprom transgaz Ufa
Volgogradtransgaz	Gazprom transgaz Volgograd
Volgotransgaz	Gazprom transgaz Nizhniy Novgorod
Kavkaztransgaz	Gazprom transgaz Stavropol
Kaspiygazprom	Gazprom transgaz Makhachkala
Lentransgaz	Gazprom transgaz Saint-Petersburg
Mostransgaz	Gazprom transgaz Moscow
Nadymgazprom	Gazprom dobycha Nadym
Noyabrskgazdobycha	Gazprom dobycha Noyabrsk
Orenburggazprom	Gazprom dobycha Orenburg
Permtransgaz	Gazprom transgaz Chaikovsky
Samaratransgaz	Gazprom transgaz Samara
Severgazprom	Gazprom transgaz Ukhta
Surgutgazprom	Gazprom transgaz Surgut
Tattransgaz	Gazprom transgaz Kazan
Tomsktransgaz	Gazprom transgaz Tomsk
Tyumentransgaz	Gazprom transgaz Yugorsk
Uraltransgaz	Gazprom transgaz Yekaterinburg
Urengoygazprom	Gazprom dobycha Urengoy
Yugtransgaz	Gazprom transgaz Saratov
Yamburggazdobycha	Gazprom dobycha Yamburg

Names are being changed in line with the re-registration of subsidiary companies.

ADDRESSES AND CONTACTS

GAZPROM
16 Nametkina St., 117997, Moscow, V-420, GSP-7, Russian Federation

GAS TRANSPORTATION, UNDERGROUND STORAGE AND UTILIZATION DEPARTMENT
Energy Conservation and Ecology Directorate
Tel.: (495) 719-27-51, fax: (495) 719-69-65

INFORMATION POLICY DEPARTMENT
Division for Information Relations with Legislative and Executive Authorities,
Parties and Non-Governmental Organizations
Tel.: (495) 719-32-82, fax: (495) 718-63-85

ASSET MANAGEMENT AND CORPORATE RELATIONS DEPARTMENT
Shareholder and Equity Relations Division
Tel.: (495) 719-49-86, fax: (495) 719-39-37

ECOLOGICAL & ANALYTICAL CENTER OF GAS INDUSTRIES
16 Nametkina St., 117997, Moscow, GSP-7, Russian Federation
Tel./fax: (495) 420-20-13, (495) 420-21-10