



Rational
Approach

ENVIRONMENTAL
RESPONSIBILITY
RATING
OF OIL & GAS
COMPANIES IN RUSSIA

2015



UNDP / GEF / Ministry of natural
resources and environment project
«Mainstreaming biodiversity conservation
into Russia's energy sector policies and
operations»



Rational Approach

ADDRESS



In front of you is the second Environmental Responsibility Rating of Oil and Gas Companies in Russia. The pilot rating was compiled in 2014 as the result of cooperative initiative by CREON Group and WWF Russia with participation of National Rating Agency. The pilot rating goal was to provide an unbiased and comparable data on environmental responsibility of participants and the impact of Russian oil&gas industry players on the environment. General public access to this information would immediately influence the reputation of hydrocarbon producing and processing companies, and, ultimately, promote environmental risks management quality resulting in decreased environmental impact.

A year has passed after the first rating had been published and today we can safely state that the project has been a success. The rating is recognized in the industry, which was proven with the August 27 meeting of the rating organizers and representatives of oil&gas sector. The event, dedicated to the rating methodology adjustments, gathered employees of 11 companies who introduced over 70 suggestions. The elevated rating recognition is further supported with improved availability of companies' related information. Last year the rating organizers had to apply great effort in sourcing data on the environmental impact of the industry operations, but related companies have been willingly providing these data in abundance in 2015. This underlines that the rating has succeeded in becoming a useful tool that stimulates entrepreneurs to become more transparent in environmental policy matters. The increased competition in the field of environmental protection will potentially facilitate access to long-term and cheaper financial resources for the most transparent companies.

This year the rating methodology has undergone through small adjustments. In particular, the criterion 1.6 (programs for biodiversity conservation in the areas of operation) has been expanded – from now on a range of additional indicators shall be taken into account. These include biodiversity conservation budgets, level of public access (through Internet) to companies biodiversity reports, etc. Furthermore, the Environmental Management section has been supplemented with two additional criteria, namely subcontractors' environmental protection activities and voluntary insurance of environmental risks. Finally, two criteria touching upon polluted and disturbed lands were excluded from the Environmental Impact section, as no companies are publishing such information as of now.

Another piece of news is the inclusion of Transneft into the number of rating participants. Transneft is the monopolistic operator of main pipelines in Russia. Therefore, the better part of rating criteria (environmental management quality, various quantified indicators with respect to oil spills and harmful emissions) can be well applied to Transneft operations.

Information sourcing in September-November has shown that, in contrast to the situation last year, many companies have ceased to avoid cooperating with the rating organizers. Rating participants have disclosed a larger amount of data, which has influenced favorably their rating positions. The improved range of quantified indicators resulting from information sourcing has increased the veracity of calculated industry average values representing the aggregate environmental impact of the industry majors.

Overall, today the rating has become the efficient tool of influence on oil&gas industry decision-making processes when it comes to environmental protection. The feedback between the industry and the society has been improved. Thus, the project is successful and there are many years of further ratings ahead.

Fares Kilzie
Head of CREON Group

Evgeny Shvarts
Director of Conservation Policy,
WWF Russia, PhD

Viktor Chetverikov
General Director, NRA

RATING ORGANIZERS

RATING ORGANIZER

CREON GROUP



The leading analysis and advisory group in oil & gas, petrochemical, and related industries in the Russian Federation and CIS countries.

CREON mission is to promote the dynamic development of Russian petrochemical industry and to assist oil & gas and petrochemical companies in improving the business performance.

RATING PARTNER

NATIONAL RATING AGENCY (NRA)



National Rating Agency is one of the leaders among its peers in Russia.

NRA focuses on developing individual credit ratings in both financial and nonfinancial sectors.

The Agency takes notable participation in implementation of socially important projects and research/analysis programs in the wide array of industry-specific areas.

RATING ORGANIZER

WWF RUSSIA



One of the largest national nature conservation organizations, WWF Russia is a part of international WWF network that unites around 5 million supporters and operates in over than 100 countries of the world.

WWF mission is to prevent the growing degradation of the natural planet environment and to achieve harmony between man and nature. The main goal of the organization is to conserve biodiversity of Earth and decrease ecological footprint.

RATING PARTNER

UNDP / GEF / MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT OF THE RUSSIAN FEDERATION



UNDP / GEF / Ministry of natural resources and environment project
«Mainstreaming biodiversity conservation into Russia's energy sector policies and operations»

UNDP / GEF / Ministry of natural resources and environment of the Russian Federation are executing a full-sized project titled «Mainstreaming biodiversity conservation into Russia's energy sector policies and operations», financed by the Global Environment Facility (GEF). The Ministry of natural resources and environment of the Russian Federation is the national executive agency of the project. Within the project, the complex of measures is aimed at improving organizational approaches of the Russian energy sector in order to minimize the adverse impact on biodiversity, with further replication of pilot experience and outcomes on the nationwide scale in Russia.

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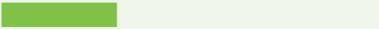
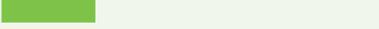
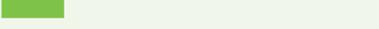
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RATING RESULTS



FINAL POSITION	COMPANY	FINAL RATING POINT	POINT CHANGE AS COMPARED TO 2014 RESULTS	RATING 2014 FINAL POSITION
1	Surgutneftegaz	 1,5825	▼ -0,0339	1
2	Gazprom	 1,5387	▲ 0,1842	▲ 3
3	Sakhalin Energy (Sakhalin-2)	 1,5222	▼ -0,0031	▼ 2
4	Zarubezhneft	 1,4222	▲ 0,3666	▲ 8
5	LUKOIL	 1,3737	▲ 0,3794	▲ 9
6	NK Rosneft	 1,3569	▲ 0,2709	▲ 7
7	Salym Petroleum Development	 1,3444	▲ 0,2448	▼ 6
8	Tatneft	 1,2492	▼ -0,0378	▼ 4
9	Exxon Neftegaz Limited (Sakhalin-1)	 1,0630	▲ 0,7932	▲ 16
10	Gazprom Neft	 1,0202	▲ 0,1485	10
11	Total PPP	 0,9926	▲ 0,8074	▲ 17-19
12	NOVATEK	 0,9667	▲ 0,2462	12
13	Bashneft	 0,9158	▲ 0,1843	▼ 11
14	Irkutsk Oil Company (INK)	 0,8889	▼ -0,2217	▼ 5
15	AK Transneft	 0,4815	-	unrated
16	Tomskneft VNK	 0,4310	▲ 0,0553	▼ 14
17	Slavneft	 0,3939	▼ -0,0373	▼ 13
18	NNK/Alliance	 0,2828	▲ 0,0976	▼ 17-19
19	Russneft	 0,2593	▼ -0,0211	▼ 15
20	Neftisa/Belkamneft	 0,1852	0,0000	▼ 17-19
21	Arcticgas	 0,1481	-	unrated

ABOUT THE RATING

RATING OBJECTIVE

Rating objective is to facilitate rational use of hydrocarbon resources, protect environment and run socially responsible business in Russia.

RATING TARGETS

1. To identify key indicators of impact on environment from oil & gas companies activities in Russia. The Rating makes it possible to create an immersive quantified database to be used for calculation of industry average indicators related to discharges, emissions, and wastes.
2. To compare main oil & gas companies by the following criteria:
 - the company's level of environmental impact per production unit
 - the extent of transparency and availability of ecologically significant information
 - the quality of eco-management in the company (compliance of activities with corporate and national environmental policies, best standards and practices)
 - the frequency of violating environmental legislation in project execution areas by the company
 - the efficiency of mineral resources extraction
3. To make record of the year-over-year changes in the above-listed indicators

FUNDAMENTAL PRINCIPLES OF THE RATING.

- The companies are rated based on the criteria formulated first of all in the NGO Environmental Standards for Operations of Oil and Gas Companies Acting in Russia.
- The Methodology is subject to discussion with all the interested parties. Scheduled Rating methodology open review was held by CREON group of companies on August 27, 2015. Regular and distance consultations were held with the interested parties to improve the Rating's methodology over the months that followed the open review.
- The evaluation is carried out in all segments – starting from E&P to processing, values are indicated for production and processing combined, as publicly available corporate reports are very rarely given in detailed segments. The target for the future is to persuade participating companies to provide better level of environmental data details.
- The Rating is based on publicly available information about activities of companies in the Russian Federation. For the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) or if it is given through interviews (for federal and regional mass media) of the companies' official representatives.
- The calculation of the Rating is performed by the professional rating agency which is selected in a tender competition. For 2015, National Rating Agency (www.ra-national.ru) was chosen upon consensus decision by WWF and CREON.
- The companies to be included in the Rating are selected based on the volume of oil and natural gas production. The lower limit was set to 1.5 mln tons.
- The Rating is published once a year.

¹ Environmental Standards for Operations of Oil and Gas Companies Acting in Russia. – Moscow. 2004 <http://www.wwf.ru/resources/publ/book/109>



OIL AND GAS COMPANIES INCLUDED IN THE RATING

21 companies were included in the Rating. Companies are listed in the table below with estimated hydrocarbon production volumes for 2014 in comparison with the same for 2013.

	COMPANY	2013, MLN TONS	2014, MLN TONS	PRODUCTION VOLUME IN 2014 GRAPH	COMPARED TO 2013, %
1	NK Rosneft	192,6	190,9		▼ 99,1
2	Lukoil	86,7	86,6		▼ 99,9
3	Surgutneftegaz	61,5	61,4		▲ 100,0
4	Gazprom Neft	32,2	36,6		▲ 104,5
5	Tatneft	26,4	26,5		▲ 100,4
6	Bashneft	16,1	17,9		▲ 109,6
7	Slavneft	16,8	16,2		▼ 96,3
8	Gazprom	16,3	16,2		▼ 99,3
9	Tomskneft VNK	10,2	9,9		▼ 97,9
10	Russneft	8,8	8,6		▼ 97,7
11	Exxon Neftegaz Limited	7	7,6		▲ 109
12	Salym Petroleum Development	7	6,5		▼ 93,7
13	Sakhalin Energy	5,4	5,3		▼ 98,3
14	NOVATEK	4,3	4,3		▲ 100,3
15	Irkutsk Oil Company (INK)	2,8	4,0		▲ 140,2
16	Zarubezhneft	2,8	3,2		▲ 114,5
17	NNK/Alliance	2,4	2,8		new participant
18	Neftisa/Belkamneft	0.7/2,2	6.9/2,1		new participant
19	Arcticgas		1,97		new participant
20	Total PPP	1.5	1.6		▼ 95
21	AK Transneft		479 (total throughput)		new participant

Source: Central Control Administration of the Fuel and Energy Complex

RATING METHODOLOGY

Rating methodology developed by A.Yu. Knizhnikov (project manager), E.A. Shvarts, L.E. Ametistova, A. Yu. Grigoriev, and A.M. Pakhalov.

Certain amendments and adjustments were introduced into the Rating methodology in 2015 and are incorporated into this publication.

The Rating consists of three sections: Environmental Management, Environmental Impact, and Disclosure / Transparency.

SECTION 1 (Environmental Management) assesses the quality of eco-management in the company. The criteria included in this section are in most cases substantially more rigid compared to Russian legislation on environment protection. However, these criteria correspond to the best global standards and practices in oil and gas business.

SECTION 2 evaluates the scale of impact of oil and gas companies on the environment. In particular, the damage level is revealed for air, water and land during the implementation of projects, as well as the ecological performance of the industrial operations. In most cases the criteria are based on components of state statistical reporting devoted to environment protection. This Section includes quantitative values that are being transformed to qualitative scale by comparing to industry-average indicators for every criterion. The industry-average indicators, when not available from official sources, are calculated as an arithmetic mean value for companies participating in the Rating. For comparative analysis across the companies, the data are used per production unit by dividing gross indicators into the volume of hydrocarbons produced and processed. In 2015, the range of specific indicators are also analyzed for transported hydrocarbons.

SECTION 3 evaluates the extent of companies' readiness to disclose information with respect to environmental impact of their industrial activities. Historically, Russian oil and gas business was considered as a rather non-transparent community not least because of the unwillingness to publish ecological information. The recent trend is a growing transparency of the companies.

RATING CALCULATION:

The Rating is calculated as follows. Each company is assigned color flags for each of criteria – Red, Yellow or Green. When a criterion is not relevant for the given company (for example, the company does not produce fuel or does not operate in the territories of Small Indigenous Peoples of the North), no flag is assigned. When the information related to the criterion is not available publicly, red flag is assigned. For the purpose of this rating, any information is deemed to be publicly available if it is displayed on the official Internet sites of the relevant companies (including subsidiaries) or if it is given through interviews (for federal and regional mass media) of the companies' official representatives.

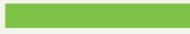
At the next stage, points are assigned for every criterion. Red flag counts as 0 points, Yellow as 1 point, and Green as 2 points. For each section, companies are assigned a normal average of their points for criteria in the corresponding section. In this calculation, only those criteria that have been assigned color flags are taken into account, i.e. criteria that are not relevant for the given company, are not included in the calculation. As a result, every company is assigned final points for EcoManagement Section, Environmental Impact Section and Transparency Section. Final points vary from 0 to 2. At this stage, the leaders are chosen in every of the following areas: Management, Operations, Information, respectively.

The final Rating is calculated for every company by averaging three values assigned in accordance with the previous stage.



1

ENVIRONMENTAL MANAGEMENT

SECTION 1 POSITION	COMPANY	SECTION 1 (ENVIRONMENTAL MANAGEMENT) RATING POINT	POINT CHANGE AS COMPARED O 2014 RESULTS	RATING 2014 SECTION 1 POSITION
1	Sakhalin Energy (Sakhalin-2)	 2,0000	0,0000	1
2	Gazprom	 1,7778	▲ 0,4921	▲ 4-6
3-4	Surgutneftegaz	 1,6667	▲ 0,0952	▼ 2-3
3-4	NK Rosneft	 1,6667	▲ 0,3810	▲ 4-6
5	LUKOIL	 1,5556	▲ 0,2698	▲ 4-6
6	Gazprom Neft	 1,3333	▲ 0,1905	▲ 7
7	Zarubezhneft	 1,2222	▲ 0,2222	▲ 8-11
8-11	Salym Petroleum Development	 1,1111	▼ -0,4603	▼ 2-3
8-11	Tatneft	 1,1111	▲ 0,1111	8-11
8-11	NOVATEK	 1,1111	▲ 0,1111	8-11
8-11	Bashneft	 1,1111	▲ 0,1111	8-11
12-13	Exxon Neftegaz Limited (Sakhalin-1)	 1,0000	▲ 0,8571	▲ 16
12-13	Total PPP	 1,0000	▲ 1,0000	▲ 17-19
14	AK Transneft	 0,7778	-	unrated
15	Tomskneft VNK	 0,6667	▲ 0,0952	▼ 13-14
16	Irkutsk Oil Company (INK)	 0,5556	▼ -0,3016	▼ 12
17	Slavneft	 0,4444	▼ -0,1270	▼ 13-14
18	Russneft	 0,3333	▲ 0,0476	▼ 15
19-20	NNK/Alliance	 0,1111	▲ 0,1111	▼ 17-19
19-20	Neftisa/Belkamneft	 0,1111	▲ 0,1111	▼ 17-19
21	Arcticgas	0,0000	-	unrated



LIST OF CRITERIA

1.1

Environmental management system certified in accordance with ISO 14001 standard

-  Yes
-  Partially (e.g. some subsidiaries)
-  No

1.6

Biodiversity conservation programme in company areas of operations

-  Yes
-  Partially (e.g. local projects)
-  No

1.2

Company's Environmental Policy (or other formalized corporate documents) includes:

-  More than 6 positive answers
-  4 to 6 positive answers
-  Less than 4 positive answers

- Requirements to additional risk assessment in environmentally sensitive areas;
- Commitments to reduce landscape fragmentation and disturbed lands area;
- Commitments to protect animal migration routes;
- Requirements to Strategic Environmental Assessment (SEA) in major infrastructure projects, if any;
- Prohibited hunting; fishing, gathering non-wood forest products by personnel in company areas of operations during working hours;
- Requirements to applying company's environmental standards to contractors;
- Willingness to avoid work in specially protected natural areas (PAs), their buffer zones, and World Natural Heritage (WNH) sites;
- Commitments relative to pipeline integrity.

1.7

Wildlife rescue section in Oil Spill Contingency Plans (OSCPs) and/or Oil Spill Emergency Response Plan (OSERP)

-  Yes
-  Partially (e.g. for local projects or in subsidiaries)
-  No

1.3

The Policy, or any other document approved by company, on relations with indigenous peoples of the North, Siberia and the Far East (IP)

-  Yes
-  No separate document, but information on IP engagement is available
-  No

1.8

Subcontractors' participation in environmental safety programs

-  Subcontractors' participation in environmental safety programs is included in financial reports
-  Company's Environmental Policy (or other formalized corporate documents) includes requirements to expand corporate environmental safety standards over subcontractors' activities
-  Company's Environmental Policy (or other formalized corporate documents) does not include requirements to expand corporate environmental safety standards over subcontractors' activities

1.4

Accounting of direct and indirect greenhouse gas emissions and results disclosure

-  Yes
-  Accounting only
-  No

1.9

Voluntary insurance of environmental safety risks

-  Corporate voluntary insurance of environmental safety risks established
-  Voluntary insurance of environmental safety risks for local projects or subsidiaries
-  No voluntary insurance of environmental safety risks

1.5

Energy consumption assessment and energy efficiency programme

-  Yes
-  Assessment only
-  No

1.6 BIODIVERSITY

ADDITIONAL CRITERIA FOR BIODIVERSITY CONSERVATION INTEGRATED IN CORPORATE POLICIES AND ACTIVITIES OF OIL & GAS COMPANIES



UNDP / GEF / Ministry of natural resources and environment project
«Mainstreaming biodiversity conservation into Russia's energy sector policies and operations»

SECTION 1.6 RATING POSITION	COMPANY	BIODIVERSITY CONSERVATION POINTS
1	Sakhalin Energy (Sakhalin-2)	2
2	Exxon Neftegaz Limited (Sakhalin-1)	1,8
3	Gazprom	1,6
4	Zarubezhneft	1,4
5	Salym Petroleum Development	1,2
6-9	Surgutneftegaz	1
6-9	LUKOIL	1
6-9	NOVATEK	1
6-9	Tatneft	1
10-11	NK Rosneft	0,8
10-11	Bashneft	0,8
12-13	Gazprom Neft	0,6
12-13	AK Transneft	0,6
14	Tomskneft VNK	0,2
15-21	Total PPP	0
15-21	Irkutsk Oil Company (INK)	0
15-21	Slavneft	0
15-21	Rusneft	0
15-21	NNK/Alliance	0
15-21	Neftisa/Belkamneft	0
15-21	Arcticgas	0

LIST OF CRITERIA

The first Environmental Responsibility Rating of Oil & Gas Companies in Russia (published in 2014) used only one criterion (1.6) for biodiversity conservation.

Following the suggestions received from interested parties and with support from the UNDP/GEF/Ministry of Natural Resources and Environment of the Russian Federation "Biodiversity Conservation Goals in Russian Federation Energy Sector Policies and Development Programs" project, WWF Russia has developed additional rating criteria dedicated to biodiversity conservation issues. These criteria were elaborated during in-person and distance meetings with environmental organizations and oil & gas companies in August-September 2015. This year rating has incorporated stand-alone pilot assessment of participants' policies and activities under the additional criteria. After possible further revision, the criteria detailed below will be used as integral part of the rating next year.

1.6

Biodiversity conservation programme in company areas of operations



- Yes
- Partially (e.g. local projects)
- No

1.6.1

Dedicated budget rule (separate line in the general budget) for biodiversity conservation and Protected Areas (PA) support in areas of operation



- Specific indicator (ruble/ton produced) is above industry average value.
- Specific indicator (ruble/ton produced) is below industry average value.
- No dedicated budget for biodiversity conservation

1.6.2

List of flag species in approved corporate documents covering areas of operation



- List of flag species is an integral part of corporate environmental policy and is elaborated for all areas of company presence/operation.
- Lists of flag species are elaborated for local corporate projects.
- No lists of flag species elaborated

1.6.3

Flag species research and monitoring programs in areas of presence/operation



- Flag species research and monitoring program is an integral part of corporate environmental policy and is elaborated for all areas of company presence/operation.
- Flag species research and monitoring program is elaborated for local corporate projects.
- No lists of flag species elaborated

1.6.4

Interested parties access to reports (posted in the Internet) on biodiversity conservation in areas of operation (for instance, report on R&D based on biodiversity/flag species monitoring results, report on biodiversity conservation activities, etc.)



- Reports on biodiversity conservation (R&D, etc.) are available for all areas of company presence/operation.
- Reports on biodiversity conservation (R&D, etc.) are available for local corporate projects.
- Reports on biodiversity conservation (R&D, etc.) are not available for general public.

1.6.5

Interested parties participation (as defined in accordance with Aarhus Convention) in biodiversity conservation programs (programs methodology and results discussion, etc.)



- Interested parties participation in biodiversity conservation programs is an integral part of corporate environmental policy and the results are shown in nonfinancial reports and other corporate documents.
- Interested parties participation in biodiversity conservation programs within local corporate projects.
- No participation

2

ENVIRONMENTAL
IMPACT

SECTION 2 POSITION	COMPANY	SECTION 2 (ENVIRONMENTAL IMPACT) RATING POINT	POINT CHANGE AS COMPARED TO 2014 RESULTS	RATING 2014 SECTION 2 POSITION
1	Gazprom		1,7273 ▲ 0,3939	▲ 4
2	Salym Petroleum Development		1,7000 ▲ 0,9727	▲ 9
3-4	Surgutneftegaz		1,6364 ▼ -0,1970	▼ 1
3-4	Tatneft		1,6364 ▼ -0,1136	▼ 2
5	Zarubezhneft		1,6000 ▲ 0,4333	5
6	LUKOIL		1,4545 ▲ 0,5379	6
7	Exxon Neftegaz Limited (Sakhalin-1)		1,3000 ▲ 1,3000	▲ 14-19
8	Total PPP		1,2000 ▲ 1,2000	▲ 14-19
9	NK Rosneft		1,1818 ▲ 0,4318	▼ 8
10	Irkutsk Oil Company (INK)		1,0000 ▼ -0,3636	▼ 3
11-12	Sakhalin Energy (Sakhalin-2)		0,9000 ▼ -0,0091	▼ 7
11-12	NOVATEK		0,9000 ▲ 0,6273	▼ 12
13	Gazprom Neft		0,7273 ▲ 0,1439	▼ 10
14	Bashneft		0,6364 ▲ 0,2197	▼ 11
15	AK Transneft		0,3333 -	unrated
16-18	Tomskneft VNK		0,1818 ▲ 0,1818	▼ 14-19
16-18	Slavneft		0,1818 ▲ 0,0152	▼ 13
16-18	NNK/Alliance		0,1818 ▲ 0,1818	▼ 14-19
19-21	Rusneft		0,0000 0,0000	▼ 14-19
19-21	Neftisa/Belkamneft		0,0000 0,0000	▼ 14-19
19-21	Arcticgas		0,0000 -	unrated



LIST OF CRITERIA

2.1

Specific gross emissions of air pollutants

Kg/t hydrocarbons extracted (ton of oil equivalent)
Kg/t hydrocarbons processed (ton of oil equivalent)



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.7

Specific pipeline leaks rate resulting in oil, condensate and oil products spilled

litres / 1 thousand km of pipelines



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.2

Associated petroleum gas (APG) utilization rate

%



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.8

Specific amount of oil, condensate and oil products spilled as result of accidents and leaks

Kg/t hydrocarbons extracted (ton of oil equivalent)



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.3

Specific volume of polluted water discharged to surface water bodies

m³/t hydrocarbons extracted (ton of oil equivalent)
m³ hydrocarbons processed (ton of oil equivalent)



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.9

Share of excess charges in total payments for adverse environmental impact (ratio of environmental charges for excess emissions, discharges, and waste disposal to total environmental charges for the reporting year)

rub / rub



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.4

Specific fresh water withdrawal

m³/t hydrocarbons extracted (ton of oil equivalent)
m³ hydrocarbons processed (ton of oil equivalent)



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.10

Share of cleaner fuel (Euro 4-5 high-octane gasoline, Class 3-4-5 diesel, gas motor fuel, and biofuel) in total fuel production

% of total fuel production



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.5

Ratio of annual waste generation volume to annual waste management volume (managed = utilized + decontaminated by the company + transferred to third parties)

t/t



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.11

Power generation from renewable energy sources (RES), including that for internal consumption

% of total energy production



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

2.6

Polluted land area ratio for end to start of the reporting year

ha/ha



- Value is equal or better than industry average
- Value is worse than industry average
- Data is not publicly available

3

DISCLOSURE
AND TRANSPARENCY

SECTION 3 POSITION	COMPANY	SECTION 3 (DISCLOSURE/TRANSPARENCY) RATING POINT	POINT CHANGE AS COMPARED O 2014 RESULTS	RATING 2014 SECTION 3 POSITION
1	Sakhalin Energy (Sakhalin-2)	 1,6667	0,0000	1
2-3	Surgutneftegaz	 1,4444	0,0000	2-3
2-3	Zarubezhneft	 1,4444	▲ 0,4444	▲ 7-8
4-5	NK Rosneft	 1,2222	0,0000	▼ 4
4-5	Salym Petroleum Development	 1,2222	▲ 0,2222	▲ 7-8
6-8	Gazprom	 1,1111	▼ -0,3333	▼ 2-3
6-8	LUKOIL	 1,1111	▲ 0,3333	▲ 11-12
6-8	Irkutsk Oil Company (INK)	 1,1111	0,0000	▼ 5-6
9-11	Tatneft	 1,0000	▼ -0,1111	▼ 5-6
9-11	Gazprom Neft	 1,0000	▲ 0,1111	▼ 9-10
9-11	Bashneft	 1,0000	▲ 0,2222	▲ 11-12
12-13	Exxon Neftegaz Limited (Sakhalin-1)	 0,8889	▲ 0,2222	▲ 13
12-13	NOVATEK	 0,8889	0,0000	▼ 9-10
14	Total PPP	 0,7778	▲ 0,2222	▲ 14-19
15-16	Slavneft	 0,5556	0,0000	▼ 14-19
15-16	NNK/Alliance	 0,5556	0,0000	▼ 14-19
17-20	Tomskneft VNK	 0,4444	▼ -0,1111	▼ 14-19
17-20	Russneft	 0,4444	▼ -0,1111	▼ 14-19
17-20	Neftisa/Belkamneft	 0,4444	▼ -0,1111	▼ 14-19
17-20	Arcticgas	 0,4444	-	unrated
21	AK Transneft	 0,3333	-	unrated



LIST OF CRITERIA

3.1

Non-financial reporting in compliance with GRI requirements



- Yes, GRI application level A
- Yes, GRI application level B or C
- No

3.2

External assurance of non-financial reporting



Professional assurance (ISAE 3000, AA1000AS) and assurance with account for interested parties opinion (including public assurance)



Professional assurance (ISAE 3000, AA1000AS) or assurance with account for interested parties opinion (including public assurance)



External assurance or reporting in compliance with GRI requirements are absent

3.3

Public access to Environmental Impact Assessment (EIA) including Internet access, EIA being also available online after public consultations



- Yes with feedback mechanism
- Yes without feedback mechanism
- No

3.4

Public access to OSCPs and OSERP (sections regarding environmental impact mitigation) including Internet access



- Yes with feedback mechanism
- Yes without feedback mechanism
- No

3.5

Informing the public on major accidents followed by significant socio-environmental damage, including those caused by contractor activities



- Reliable data available or no major accidents during the report period
- Fragmentary data
- Data missing or unreliable

3.6

Informing the public on environmental conflicts in company areas of operations, including conflicts caused by contractors activities



- Reliable data available or no environmental conflicts during the report period
- Fragmentary data
- Data missing or unreliable

3.7

Established procedure for public claim review



- Yes with feedback mechanism and procedure
- Either feedback mechanism or procedure
- None

3.8

Public availability of criteria 1-7 of the Section 1 for the reporting period



- More than 80% positive answers
- 50-80% positive answers
- Less than 50% positive answers

3.9

Public availability of criteria 1-11 of the Section 2 for the reporting period



- More than 80% positive answers
- 50-80% positive answers
- Less than 50% positive answers

ANALYSIS

EVALUATION OF OIL & GAS BUSINESS TRANSPARENCY LEVEL

Traditionally, the basic principle of the rating compilation is that exclusively publicly available information is used. Therefore, the focus was primarily on the completeness and quality of environmental information disclosed. In comparison with the first rating, published in December 2014 based on data collected in 2013, the business transparency level of Russian oil & gas companies has notably increased both with respect to the number of disclosed environmental protection aspects, and in terms of quality of the latter. It should be underlined that many companies have published additional materials directly during the period of discussions with rating organizers in August-November 2015. Thirteen out of twenty-one rated companies accepted the rating organizers' suggestion to disclose additional information on environmental responsibility.

However, oil & gas companies still have the different levels of business transparency when it comes to environmental aspects of their operations. This year, two different levels of business transparency on the matter were singled out:

- Sufficient level of business transparency. Majority of rated companies (14 of 21 participants) fall within this level. These companies publish environmental responsibility reports (as part of sustainable development reports, environmental activities and/or environmental protection reports, etc.) and disclose information on implemented environmental management system and environmental impact from their operations in the special sections of their official sites. Nine companies (Rosneft, Lukoil, Gazprom Neft, Tatneft, Bashneft, Gazprom, Sakhalin Energy, NOVATEK, and Zarubezhneft) publish non-financing reports, which comply with international GRI (Global Reporting Initiative) standards. Another five companies (Surgutneftegaz, Exxon NL, Salym Petroleum, INK, and Transneft) publish environmental reports in accordance with internal corporate standards rather than following GRI requirements.
- Insufficient level of business transparency. 6 of 21 rating participants that do not publish non-financial reports and only disclose very limited information on environmental aspects of their operations at their official sites fall within this level. Namely, these companies are Slavneft, Tomskneft VNK, Russneft, NNK/ Alliance, Neftisa/Belkamneft, and Total PPP.

The special case is Arcticgas – as of November 2015, this company had neither non-financial reports published, nor official corporate site in place.

The best known global voluntary international standard of non-financial reporting is Global Reporting Initiative (GRI). The GRI G3 was made public in 2006. It was later upgraded to G3.1 in 2011. Three GRI recommendations were singled out within the framework of G3 and G3.1 versions: A (advanced), B (intermediate), and C (basic). In case of external assurance of non-financial reporting in compliance with GRI requirements on part of corresponding professional body or non-governmental organization, the company also received the right to add "+" sign to its level. GRI G4 guidelines was published in May 2013. As opposed to the previous version, these guidelines established only two disclosures options: core and comprehensive. As of the end 2013, only one Russian oil & gas company, Zarubezhneft, published sustainable development report with account for GRI G4 requirements. By the end of 2014, however, a total of six Russian oil & gas companies implemented GRI G4 standards. Zarubezhneft was joined by Gazprom Neft, Tatneft, BASHneft, Gazprom, and NOVATEK. Another company (Sakhalin Energy) has taken into account requirements of both GRI G3 and GRI G4 standards in preparation of their annual report on sustainable development.

Tatneft case deserves a separate mentioning. Up till 2013, this company used to publish two separate documents – the Annual Report and the Report on Sustainable Development and Social Responsibility. From 2014, Tatneft switched to the integrated annual corporate format, uniting reports on financial, economic, management, social, and environmental aspects of corporate operations in one document (in accordance with the International Integrated Reporting Standard). This decision has not resulted in the decrease of disclosed information quantity or quality, but rather has made it possible to demonstrate the interrelation of main business operations and sustainable development within the company.

The important distinction of this year is that oil & gas companies published a range of documents and presentations dedicated directly to the rating criteria aspects. In particular, Rosneft published the report on the Results of Activities Aimed at Securing Environmental Safety and Supporting Small Indigenous Peoples of the North in 2014, whereas Surgutneftegaz issued Materials for Definition of Environmental Rating in electronic form. The latter contains data for all quantitative criteria employed in the rating. Also noteworthy is that Exxon NL published, for the first time ever, the Report on Environmental Protection Activities along with a large range of complimentary materials in autumn 2015.

¹ Rating is published in 2015 based on final data of 2014



RESULTS OF DATA COLLECTION BY QUANTITATIVE CRITERIA

When compiling the first Environmental Responsibility Rating of Oil & Gas Companies (based on data for 2013) the organizers experienced biggest difficulties with assessment of environmental impact quantitative criteria. The lack of data (according to the rating methodology for section 2 criteria, at least 3 indicators are required to establish industry average value) resulted in exclusion of one criterion from the rating methodology. Furthermore, for many criteria there was only enough data to rate 5-6 companies, which led to lack of coherence (and, in some cases, lack of precision) in assessment of industry average values under these criteria. This issue was of less topicality for the rating compiled based on data for 2014, as for nearly all criteria the data was available at least for 10 companies. This is a sample volume sufficient for calculation and analysis of average values (see table below).

CRITERIA	NUMBER OF COMPANIES THAT DISCLOSED RELATED DATA	AVERAGE FOR RATED COMPANIES (2014 DATA)
Specific gross emissions of air pollutants	13	3.16 kg per ton of oil equivalent
APG utilization rate	14	84.88%
Specific volume of polluted water discharged to surface water bodies	12	0.0010 cub. m per ton of oil equivalent
Specific fresh water withdrawal	13	1.04 cub. m per ton of oil equivalent
Ratio of annual waste generation volume to annual waste management volume (managed = utilized + decontaminated by the company + transferred to third parties)	13	0.65
Polluted land area ratio for end to start of the reporting year	10	0.18
Specific pipeline leaks (resulting in oil, condensate and oil products spilled) rate	10	41.46 leaks per 1 thousand km of pipeline
Specific amount of oil, condensate and oil products spilled as result of accidents and leaks	10	0.0015 kg/ per ton of oil equivalent
Share of excess charges in total payments for adverse environmental impact (ratio of environmental charges for excess emissions, discharges, and waste disposal to total environmental charges for the reporting year)	8	0.38
Share of environmentally friendly fuel (Euro 4-5 high-octane petroleum, Class 4-5 Diesel, natural gas motor fuel, and biofuel) in total fuel production volume	10 (irrelevant for other companies)	94.37%
RES share (incl. for own needs)	10	0.53%

Source: NRA calculations based on data published by the participating companies.
Average values calculated with account for similar specific values in hydrocarbons production section.

ANALYSIS

ENDING

In view of small changes introduced to separate criteria calculation methodology (in particular, with respect to polluted lands and waste utilization) and the issues experienced with calculation of average values in 2013 as mentioned above, it is possible to establish the objective year-on-year dynamics for several quantitative rating indicators only. Subject to this provision, most of the indicators have improved. Thus, in particular:

- Average specific gross emissions of air pollutants decreased from 3.82 kg per ton of oil equivalent to 3.16 kg per ton of oil equivalent
- Average APG utilization rate increased from 78.92% to 84.88%
- Average specific fresh water withdrawal decreased from 2.03 cub. m per ton of oil equivalent to 1.04 cub. m per ton of oil equivalent

However, with respect to the very important specific pipeline leaks indicator, the average industry value worsened from 25.14 leaks per 1 thousand km of pipeline to 41.46 leaks per 1 thousand km of pipeline.

The above listed changes may result both from improvements to the corporate environmental protection policies, and from expansion of companies selection for average values calculation.

RATING POSITIONS DYNAMICS

The first key trend of the rating based on 2014 data is the convergence of companies in terms of rating points received. The first rating saw companies with neighboring rating positions differ within several tenths of the point, whereas now such difference is often just a couple of hundredths of the rating point. The change in assessment results for one-two criteria solely may lead to the notable change in rating positions, which fully confirms that there are no “unimportant” aspects of environmental responsibility.

The second key trend of this year rating is the growth of environmental responsibility and transparency on average for most companies. This stated trend is confirmed with the average rating point value for selected companies: last year it was 0.81, while this year it totaled 0.93 (two-points scale).

In spite of considerable changes that the rating has underwent during the year, the three rating leaders remain the same. Surgutneftegaz does top the rating again, whereas Gazprom and Sakhalin Energy have switched places: the largest Russian gas company is now second with the Sakhalin-2 project operator lagging closely behind at the third place. The reason for this swap is the improvement of Gazprom environmental indicators (the company is now the leader of Environmental Impact section), while Sakhalin Energy has the same points as last year and preserves leading position in Environmental Management and Disclosure / Transparency sections.

The best positive rating dynamics has been demonstrated by Exxon NL (+7 positions year-on-year), Total PPP (+6 positions year-on-year), LUKOIL (+4 positions year-on-year), and Zarubezhneft (+4 positions year-on-year). These improvements are stipulated, first and foremost, by the companies now disclosing additional information on environmental management and environmental impact. Exxon NL and Total PPP have disclosed, for the first time ever, environmental aspects of their operations in the official Internet sites. In turn, LUKOIL and Zarubezhneft have not only improved information disclosure in their annual non-financial reports, but also made public a large volume of additional information in the Internet sites of their subsidiaries.



Rational Approach

CREON GROUP

www.creonenergy.ru
www.zs-rating.ru

Tel.: +7(495) 797 49 07
Fax: + 7 (495) 938 00 08
info@creonenergy.ru



WWF RUSSIA

www.wwf.ru

Tel.: + 7(495) 727 09 39
Fax: +7 (495) 727 09 38
russia@wwf.ru



NATIONAL RATING AGENCY

www.ra-national.ru

Tel.: + 7(495) 775 59 02
Fax: + 7 (495) 775 59 01
info@ra-national.ru



UNDP / GEF / MINISTRY OF NATURAL RESOURCES AND ENVIRONMENT OF THE RUSSIAN FEDERATION

www.bd-energy.ru

Tel.: +7 (495) 787 21 05
Fax: +7 (495) 787 21 01

This report was prepared by:

Alexey Knizhnikov (WWF Russia)
Alexander Pakhalov (National Rating Agency)
Yulia Sipailova (CREON Group)
Kirill Rodionov (Communicationz Agency)