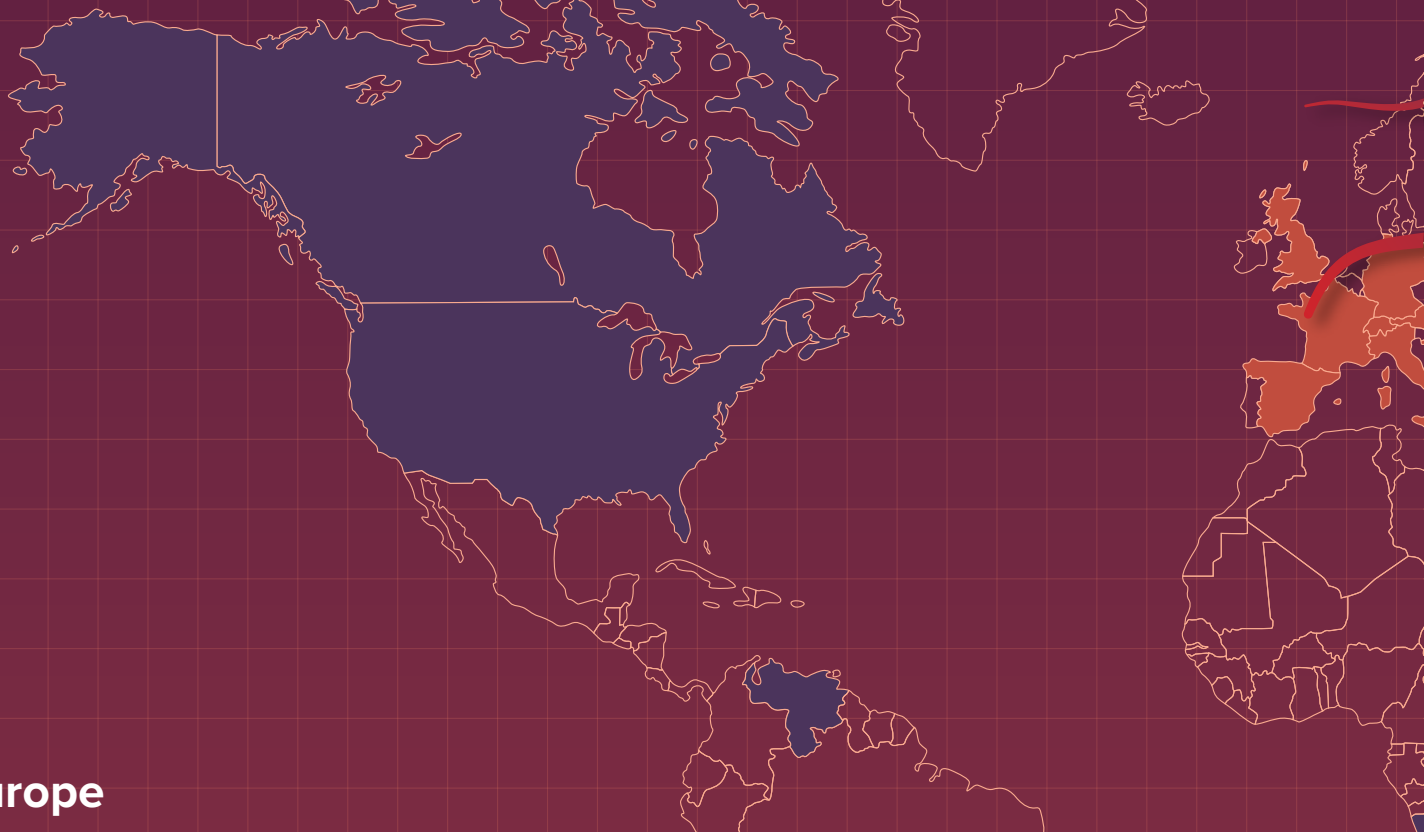


CUTTING THE TENTACLES OF RUSSIAN ENERGY 'OCTOPUS'

DiXi Group's follows on the series of materials aimed at exploring the foreign ties of key Russian energy companies for the elaboration of proposals for expanding sanctions limiting the international influence of the Russian energy sector.



GAZPROM NEFT

GAZPROM NEFT'S TENTACLES SORTED OUT





Europe



FRANCE

 Schlumberger, TotalEnergies, Air Liquide, SNF, Airbus, Air France/KLM
 assets, tech&service, trade

UK

 Shell
 assets, trade, tech&service (in exit process)

GERMANY

 Wintershall Dea, Lufthansa
 tech&service



SPAIN

 Tecnicas Reunidas S.A.
 tech&service

ITALY

 Gazpromneft Lubricants Italia S.p.A.
 assets

AUSTRIA

 Raiffeisen Bank International AG
 tech&service



SERBIA

 NIS
 assets



BOSNIA AND HERZEGOVINA

 NIS
 assets

CROATIA

 JANAF (Jadranski Naftovod)
 trade

ROMANIA

 Gazpromneft Marine Bunker Balkan S.A.r, NIS
 tech&service, assets

BELARUS

 Mozyr refinery
 assets

ESTONIA

 AS Baltic Marine Bunker
 tech&service

SWITZERLAND

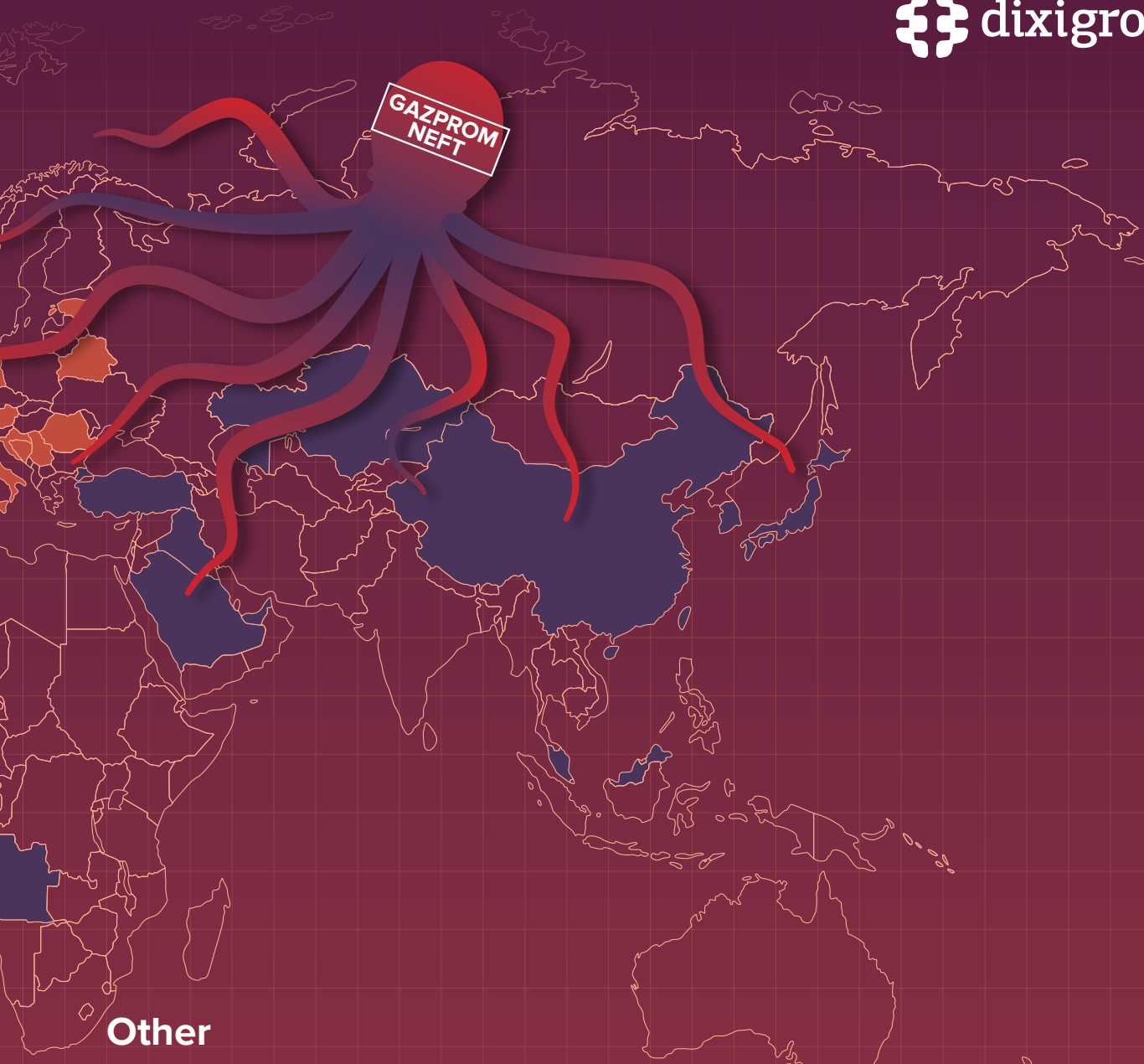
 Euronova Energies
 trade

Plans – MoU, no formal agreements regarding any sphere

Trade – commercial supplies or already signed agreement for future supplies of oil and oil products (excluding lubricants - separate map below) or distributing these products through dealers; providing of supplementary to trading infrastructural services (storage or transportation)

Assets – joint shareholdings in Russia or abroad

Tech&Service – providing technological upgrading, decarbonization, supporting technical services to Russian partner and/or giving permits for technical suitability of (some) of its products to be used in physical operational activity of the company; receiving contracts for construction of facilities; joint research or knowledge-sharing projects



Other

U.S.
 Baker Hughes Co, Halliburton, Weatherford, The Bank of New York Mellon
 tech&service

CANADA
 WesternZagros
 assets

VENEZUELA
 Corporacion Venezolana del Petroleo (PDVSA subsidiary)
 assets

ANGOLA
 NIS
 assets

UAE
 Mubadala Petroleum, Abu Dhabi National Oil Company, Emirates
 assets, plans

MALAYSIA
 Petronas
 assets

REP. OF KOREA
 KOGAS, DL E&C Co. Ltd.
 assets, tech&service

CHINA
 Shanghai Electric Group, China National Aviation Fuel Group Corp, China Aviation Oil Hong Kong, Sichuan Airlines, China Eastern, Air China, SF Airlines
 tech&service, trade

JAPAN
 Mitsui, Mitsubishi Corporation
 tech&service, plans

TURKEY
 TPAO
 assets

SAUDI ARABIA
 Saudi Aramco
 plans

IRAQ
 Oil Exploration Company (OEC)
 assets

KAZAKHSTAN
 Gazpromneft-Kazakhstan
 assets

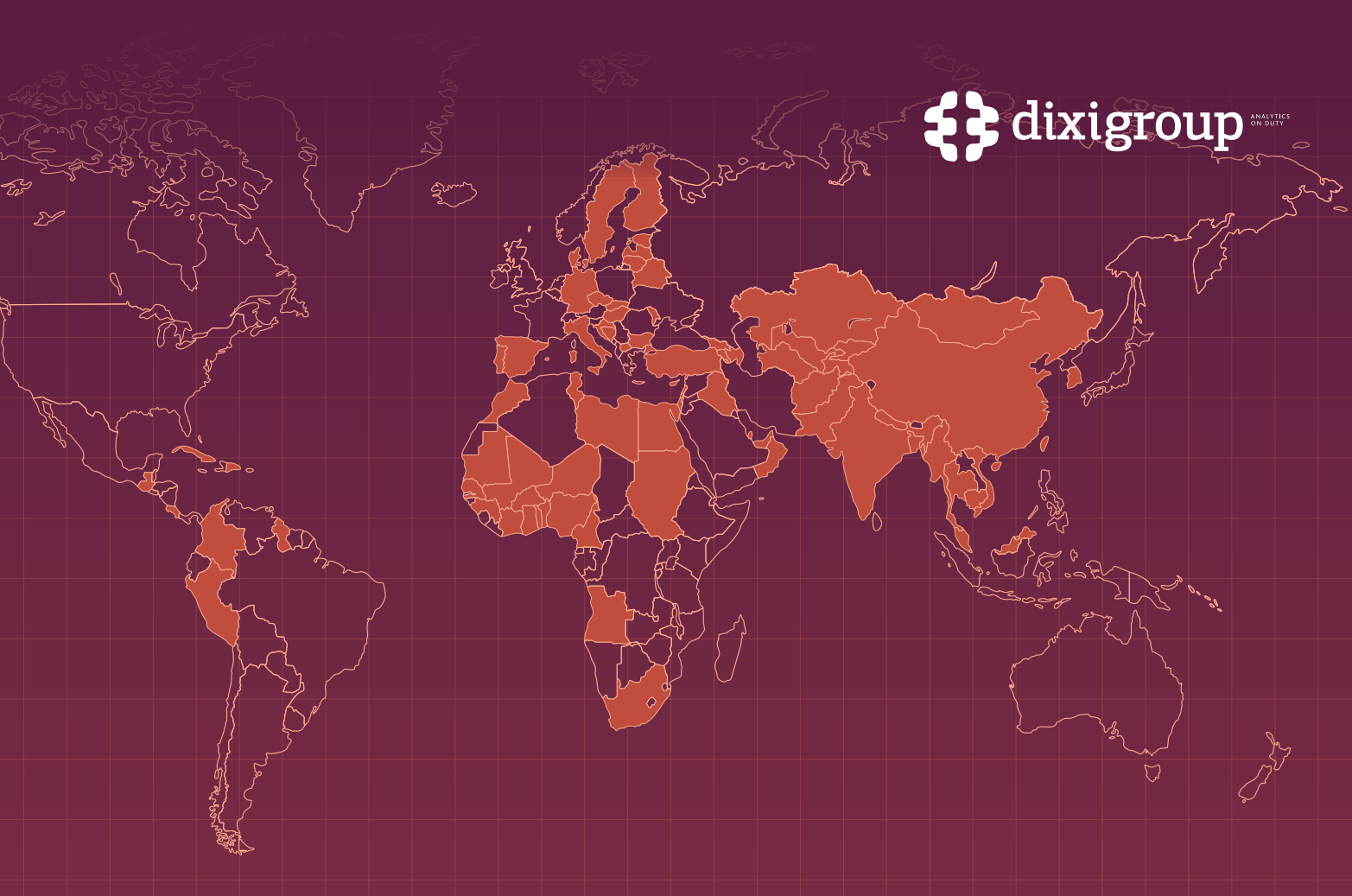
SINGAPORE
 Gazpromneft Marine Lubricants Pte Ltd, Keppel Offshore & Marine Ltd (Keppel O&M)
 trade, tech&service

LUBRICANTS DISTRIBUTION PARTNERSHIP NETWORK



Belarus	Avtospace, Belinvesttorg, Boniks Auto Plus, L-Auto, Sivanabel
Bulgaria, North Macedonia	Deni Trade Eod
Bosnia and Herzegovina, Croatia	GNT d.o.o.
Hungary	URT Oil Trade Kft.
Germany	AMT Technische Handels GmbH, Raptech Eberswalde GmbH
Denmark	Chrima Oil AB
Spain	Hispano Europea De Lubricantes S.L.
Portugal	Inpar Select SA
Moldova	Calbor Grup, Iridan-Service
Italy	La Rocca Petroli S.r.l , Palmerini Autoricambi S.r.l, Oil Center S.r.l, Eeropam S.p.A, Vega Oil S.r.l, Russian Lubrificanti S.r.l , Geremia Lubrificanti S.r.l, Fiorese Bernardino S.p.A, Autochem Italiana S.r.l, Socogas S.p.A, Bronchi Combustibility S.r.l, Lippini Leonardo, Rhutten S.r.l, Royal Lube, Lubritalia S.p.A
Slovakia, Czechia	SKIMEX Europe s.r.o.
Finland	Tonttila Group Oy
Sweden	Chrima Oil AB
Estonia	Flexoil OU
Cyprus	P. Smilas Trading LTD, Negev Distribution Lubricants Ltd
Israel	Rehovot
Latvia	Sia Samalin
Lithuania	UAB Medzista, MV Oilis Baltic
Azerbaijan	OOO Avto Profi, AUTO-PROFI 2016 MMC
Armenia	Autofan AC LLC
Georgia	Wissol Auto Express LTD

Kazakhstan	Nick-Oil, LaD-Almaty, Intrade, TMK-Distribution, Qostanai Abtosnub, Oral Sbyt Oil
Kyrgyzstan	Primex Bishkek, Firma Unioil, Sinteko
Tajikistan	GPNT- lubricants, NGSA
Turkmenistan	Fiador
Uzbekistan	NGSA
Afghanistan	Diesel Center Co. Ltd
Iraq	Saskim Petrol Kimya San. Ve Tic. A.S., Deyari Group Middle East, Al-Tawfik Trading Company for Spare Parts and Safety and Secury Items
Turkey	Saskim Petrol Kimya San. Ve Tic. A.S., İlkerler Endüstri Satış ve Pazarlama A.Ş.
Qatar	Nasser Bin Khaled Service Centers
Lebanon	Mima Group
Oman	East Bay Star LLC
UAE	Oilburg FZC
Bangladesh	GP Neft Oil BD Ltd., Lubrax Industries Ltd.
India	Chemlube INDIA, JD Group of Companies, Neha Enterprise
Nepal	Vastok International Pvt Ltd
Pakistan	Amwar International Pvt Ltd
Singapore	OILY Pte. Ltd
Vietnam	GP OIL VIET NAM CO. LTD , Thanh Hoa Chemtec Vietnam CO. LTD
Cambodia	Twin United CO. LTD
Malaysia	Zenitu Sdn. Bhd., OILY Lubricants Malaysia Sdn. Bhd.
Myanmar	Alliance Energy International Company Limited
Thailand	Oil Solutions Co. Ltd
China	Suifenhe Wananfengyuan Economic and Trade CO. LTD



Mongolia	DW Oil Trading GmbH, Monretrtrans
Republic of Korea	Total L&C Co. Ltd
Taiwan	Excellent Professional Group Limited
Guyana	Atlantic Marine Suppliers INC
Columbia	Petrolubs International Gazlubs S.A.S
Costa Rica	Lubricantes GPN S.A.
Cuba	WCHE Ltd.
Peru	Prestec SAC
Barbados	Negev Distribution Lubricants Ltd
Guatemala	Fotostar S.A.
Dominican Republic	Italparts S.R.L.
Angola	Metraco Empreendimentos LDA
Benin	Ejrosey Well S.A
Burkina-Faso	CGTB (Commerce General Technologies Bureautique Plus)
Ghana	Saskim Petrol Kimya San. Ve Tic. A.S.
Guinea	Global Energy Group SAS

Egypt	Saskim Petrol Kimya San. Ve Tic. A.S., Pan African Lubricants S.A.E.
Cameroon	Engine Oil Company SA, Global Energy Group SIA
Côte d'Ivoire	Sam & Sons Services International
Libya	Saskim Petrol Kimya San. Ve Tic. A.S., Sonar International Haneish Auto Spare Parts
Mauritania	Saskim Petrol Kimya San. Ve Tic. A.S., EST EL MOURAD S.a.r.l Import and Export
Morocco	Mining and Drilling Services and Consulting Company S.A.R.L.
Niger	Arned Group Sarl U
Nigeria	Saskim Petrol Kimya San. Ve Tic. A.S., Adireje West Africa Ltd.
Mali	Global Energy Group SAS
Senegal	Siepa SARL, Saskim Petrol Kimya San. Ve Tic. A.S.
Sudan	Bashir Motors Co. Ltd
Togo	Global Lube (GV) SARL
Tunisia	Ste Hamila United Company S.U.A.R.L.
South Africa	Oily SA (Pty.) Ltd.

HOW TO CUT GAZPROM NEFT'S TENTACLES

1



Expand the sanctions against Gazprom Neft group and its leadership

2



Impose the sanctions against any ships carrying Gazprom Neft's oil to the world market

3



Enforce U.S. secondary sanctions on the trading of Russian oil and refined products in any form and ensure effective monitoring of origin, supplementing the oil embargo

4



Consider acquiring Gazprom Neft assets in the EU (by nationalization or forced sale) and sanction them in associated with EU countries

5

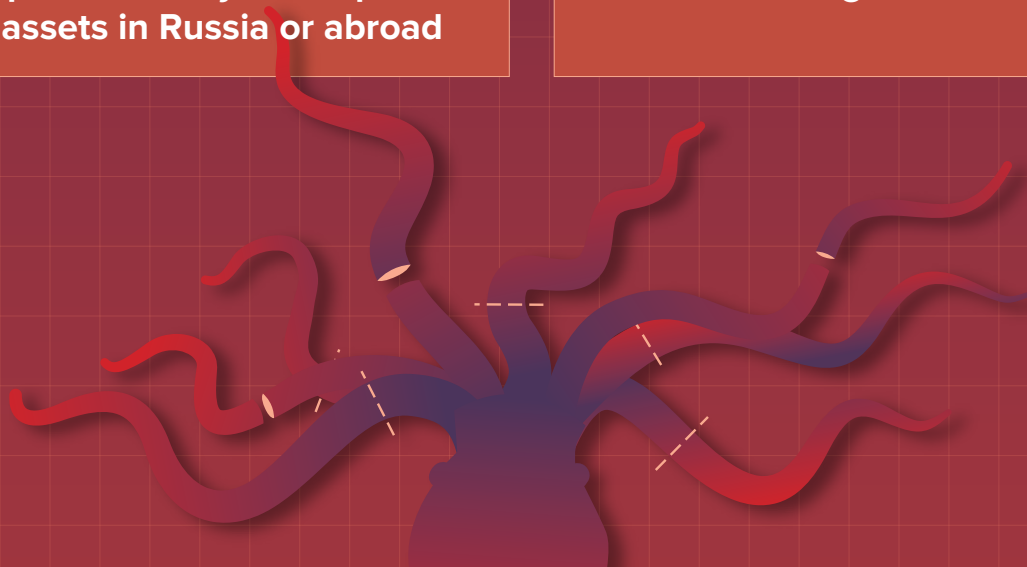


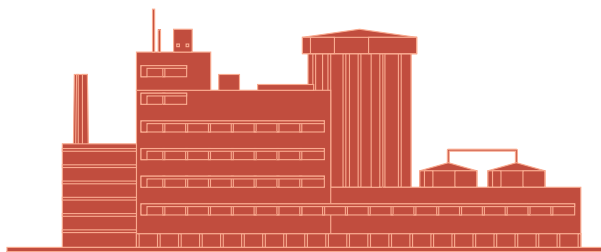
Prevent the transfer of Western technologies directly or through third parties to any of Gazprom Neft assets in Russia or abroad

6



Expand sanctions on Gazprom Neft's marine bunkering and jet fueling business





The revenues from trading energy resources represent a significant share of the Russian budget revenues. In 2021, the Russian crude oil exports [reached](#) \$110.2 billion and exports of oil products – \$68.7 billion; which is more than 35% of all Russian exports (\$489.8 billion). Therefore, limiting Russian oil and refined products exports is a key measure for limiting the financial resources available for the Kremlin to finance its wars. Gazprom Neft – a vertically integrated oil company almost fully owned by Gazprom – is one of the main contributors.

Its history is typical for the development of the post-Soviet Russian energy sector. Gazprom Neft was founded in 1995 based on some assets of Rosneft prepared for the privatization. Its first name was Sibneft. The company was privatized by the Russian oligarch Boris Berezovsky. After the collapse of his political influence in the beginning of Putin's rule, the company was controlled by another oligarch Roman Abramovich who sold the controlling shareholding to Gazprom in 2005 for \$13.1 billion. In the next year, the company was reorganized and obtained its current name. Since 2006 the position of company's CEO has been held by Alexander Dyukov. Currently, the Russian gas giant Gazprom controls [95.6%](#), the rest is free float.

Gazprom Neft net profit in 2021 was [503.4 billion rubles](#) (app. \$6.8 billion, converted on median [exchange rate for 2021](#)). Same year, the company paid [138.939 billion rubles](#) in taxes to the Russian state budget (app. \$1.885 billion).

Gazprom Neft reported a [four-fold](#) increase in 2021 net profit due to the high hydrocarbon prices. The price of oil is substantially higher in 2022 than [expected](#) by the company's leadership at the end of the previous year, which additionally favors the economic outlook, even despite the sanctions on Russian oil and refined products.

Since 2017, Gazprom Neft became the third largest oil producer in Russia after state-owned Rosneft and private Lukoil. In 2020, its production [reached](#) 60.52 million tonnes of oil and oil condensate and 43.08 bcm of natural gas. [20.4 million tonnes](#) of crude oil were exported abroad. Refining volumes of the company equaled [40.4 million tonnes](#) and the amount of petroleum products sold was [43.63 million tonnes](#) (17.6 million tonnes were sold abroad). As of the end of 2020, [2,131](#) filling stations belonged to the company's retail network located both in Russia and abroad. On foreign markets, the network accounted for [622](#) filling stations in Belarus,



from left to right - Russian Defense Minister Sergey Shoigu, Chairman of the management Board of Gazprom Neft Alexander Dyukov, President of Russian Federation Vladimir Putin in the meeting of Russian Geographical Society (2017)

Kazakhstan, Tajikistan, Kyrgyzstan, Serbia, Bosnia and Herzegovina, Bulgaria, and Romania.

Additionally, Gazprom Neft's share in the Russian marine fuels market is [23%](#), and the company plans to expand its share in the international marine lubricants market to 4% by 2030. The company produces more than [40](#) different types of maritime lubricants. The company's website claims that this product line [is traded](#) in 250 port cities located in 24 countries. This business is operated through its subsidiary Gazpromneft Marine Bunker which has its subdivisions (as Gazpromneft Shipping operates nearly [ten](#) specialized vessels). Gazpromneft Marine Bunker has [joined](#) the Society for Gas as a Marine Fuel (SGMF) accounting for more than 140 members, providing a platform for international knowledge-sharing and having consultative status with the International Maritime Organization. Another prospective venue of activities is seen in LNG bunkering – in 2021, Gazprom Neft [obtained](#) its first own ship-to-ship LNG-bunkering vessel.

GazpromNeft-Aero, a jet fuel trading subsidiary, has its own international sales [network](#) operating 66 refueling complexes and accounting for 321 airports in 71 countries worldwide and a diverse portfolio of clients including more than 190 airlines. This subsidiary is also actively implementing the integration of its own [Smart Fuel blockchain platform](#) at the Russian airports allowing the simplification of transactions between fuel providers and airlines. GazpromNeft-Aero was also the first Russian company which [signed up](#) for the Joint Inspection Group (an international initiative that develops technical standards for jet fuel). Having [established](#) the Eurasian Sustainable Aviation Fuel Alliance, Gazprom Neft plays a leading role in establishing wide technological cooperation between different types of local and international stakeholders for starting the production of Russian environmentally friendly jet fuel.

Gazprom Neft is also actively developing its technological expertise for the elaboration of industrial solutions both for its own needs as well as presenting them as additional lines of commercial products. [Bazhen Technology Center](#) and Technological Center of Industrial Innovation are key units of Gazprom Neft in charge of developing new technological advancements. Additionally, the company created a technological project [IndustriX](#) aimed at selecting the prospective technological start-ups and further accelerating their development (including the scale-up of production). The priority is given to solutions related to carbon capture and storage and different types of 'green' technologies (where it is dependent on cooperation with foreign companies, having respective memorandums with Shell and Mitsui).

Digitalization of industrial processes is another venue of a company's activities. The Russian digital platform for the industrial IoT elaborated by Gazprom Neft and Zyfra Group is planned to be [integrated](#) into daily operations of Gazprom Neft facilities as well as in activities of other Russian companies in the energy and metallurgical industries.

Gazprom Neft as a Russian public company was one of the primary corporate targets of sanctions against the Russian Federation for its aggressive military actions in Ukraine in 2014-2022. In 2014, the company became a subject of the [U.S. sanctions](#) limiting involvement in the Arctic and offshore projects and imposing prohibition for the Russian companies to obtain loans and Western equipment. In 2022, the restrictions were expanded. Gazprom Neft was included in the list of Russian companies indicated in the [Directive 3 under Executive Order 14024](#) prohibiting any U.S. person from engaging with any new debt or new equity, provision of financing or other dealings in property or transactions longer than 14 days with these entities. The [U.S. embargo](#) on importing Russian oil and refined products will prevent spot deliveries of company's crude oil similar to those [occurred](#) earlier but will not affect Gazprom Neft supplies of refined products due to the absence of a reported partner distribution network in this country. However, embargoes introduced by [Canada](#) and [the UK](#) might have a greater impact due to Gazprom Neft maritime fuel trading in the [port cities](#) of these countries.

The EU sanctions against the Russian Federation for the Kremlin's full-scale military aggression against Ukraine were directly targeting many aspects of Gazprom Neft activities. [The third sanctions package](#) of March 15 expanded previous restrictions on exporting oil equipment to Russia for preventing the technological modernization of Russian refineries. [The fourth sanctions package](#) included Gazprom Neft to the list of entities with which any transactions are prohibited since May 16. It influenced the behavior of traders such as Vitol which indicated they will [comply](#) with sanctions. Some traditional customers of Gazprom Neft, such as Shell, [preferred](#) to buy spot crude from other non-sanctioned Russian private companies in April even before the start of prohibition validity. To align its activities with the timeframe of that restriction, Gazprom Neft was forced to make the [\\$ 3 billion](#) payment for its bonds earlier than required. [The fifth sanctions package](#) prohibited the entrance of vessels under the Russian flag in the EU which will influence the activities of Gazprom Neft Shipping. In June, the EU adopted the [sixth sanctions package](#) providing an import embargo for Russian crude oil from December 2022 and for Russian refined petroleum products from February 2023. It includes not only direct purchasing of Russian energy

products but also providing secondary services allowing energy trading transactions such as providing insurances and loans backing deliveries.

Apart from maritime oil trading, these restrictive measures could have had a profound impact on production chains of Gazprom Neft lubricants trading and marine bunkering business (however, the issue of Gazprom Neft-owned lubricant production facilities, which operate on EU territory, needs to be solved or at least clarified).

In addition to the intervention of foreign governments sanctioning the Russian economy, the general market conditions for exporting crude oil and refined products remain challenging for the Russian companies. The media [reported](#) that over 62 million barrels of Russian flagship Urals crude have stalled in Russian ports unable to find buyers due to the sanctions and self-sanctioning behavior of foreign companies. Many international traders, such as Vitol, Glencore and Trafigura, have already [limited](#) their involvement in trading Russian oil which caused the increase of minor, previously unknown companies becoming intermediaries for selling Russian crude oil. Gazprom Neft's activities correspond to this path: the journalists have [informed](#) about Swiss-registered Euronova Energies SA organizing crude oil deliveries from Novorossiysk to Constanta and also participating in oil deliveries to unrecognized [Transnistria](#). Investigators have claimed that Gazprom Neft is the final beneficiary

of Euronova Energies, and such actions preserve Russian presence in the oil markets of South-Eastern Europe.

Since the beginning of the war in Ukraine, Russia has tried to diversify its export markets to mitigate negative effects of Western sanctions. Both [China](#) and [India](#) are actively using the opportunity to obtain Russian oil at huge discounts. Already in 2021, Gazprom Neft representatives have [reported](#) about the increase by a third of crude oil deliveries to China via the Eastern Siberia-Pacific Ocean pipeline to 4-4.5 million tonnes annually. These volumes exceed deliveries to Europe (3 million tonnes annually), but are sustained due to the increased output of Chayandinskoye oil and gas field commissioned in [2019](#). Therefore, full substitution of the European market in case of the embargo full implementation is unlikely. As a result of uncertainty with external trading, Russian oil production [has fallen](#) by 7.5% in mid-April with a possibility to reach 17% decline by the end of the year.

From the all described above considerations, it is essential to map the company's influence on an international scale, taking into account a detailed picture of Gazprom Neft cooperation with all possible types of foreign stakeholders. Such analysis should be instrumental in considering additional ways on how the tentacles of this Russian energy octopus could be cut off.



from left to right - President of Russian Federation Vladimir Putin, Presidential Assistant Igor Levitin, Vice-Prime Minister Olga Golodets, Chairman of the management Board of Gazprom Neft Alexander Diukov on the event of Russian Football Union (2019)

Assets in Russia (with foreign participation) and abroad

Joint venture in Western Siberia, Russia	Partnership with Mubadala Petroleum and the Russian Direct Investment Fund since 2018 51% - Gazprom Neft, 44% - Mubadala Petroleum, 5% - Russian Direct Investment Fund
Gydan Energy, Russia	joint venture on Gydan peninsula (Leskinsky and Pukhutsyayakhsky blocks) 2019 MoU with Repsol and Shell; 2020 Agreement on formal establishment with Shell (50% each); Shell exited Gydan Energy in May 2022
Salym Petroleum Development, Russia	joint venture since 2020 ; Gazprom Neft – 50% , Shell – 50% after the start of Russian full-scale invasion in Ukraine in 2022 Shell announced its intention to quit the JV
Hydrogen production facility in Sakhalin island, Russia	partnership with Rosatom (Rosatom overseas), technical support from Air Liquide (France) in designing the facility
GazpromNeft - Total PMB LLC, Russia	a joint venture for the production and sale on the Russian market of modified bitumen and bitumen emulsions; each partner - 50% stake; production of polymer-modified bitumen with the usage of Total licensed technology
Sarqala field , Iraqi Kurdistan	34 million tonnes of estimated reserves Garmian block: Gazprom Neft - 40% (operator) WesternZagros - 40% Kurdistan Regional Government - 20% Halabja and Shakal blocks: Gazprom Neft - 80% (operator) Kurdistan Regional Government - 20%
Badra field , Iraq	Gazprom Neft - 30% (operator) Oil Exploration Company (OEC) - 25% KOGAS - 22.5% Petronas – 15% TPAO – 7.5%, 2010 contract , start of industrial production in 2014, \$4 billion invested by consortium until the end of 2017, commitment to invest \$2.5 billion additionally before 2030 commissioning of integrated gas and oil processing plant GazpromNeft-Badra in 2017 (1.6 bcm of annual capacity), training center for local workforce
GazpromNeft-Kazakhstan	retail filling network (70 stations), sold GazpromNeft Bitum Kazakhstan (production facility) at the end of 2021
Mozyr refinery, Belarus	Slavneft (jointly owned by Gazprom Neft and Rosneft) - 42.58%; Gazprom Neft delivered annually 1 million tons of crude oil

Gazpromneft-Belnefteproduct	retail network of has filling stations
Naftna Industrija Srbije A.D. (NIS), Serbia	<p>A vertically integrated energy company with headquarters in Serbia, core activities include exploration, production and refining of crude oil and natural gas, sale and distribution of petroleum and gas products and the implementation of energy and petrochemistry projects.</p> <p>Gazprom Neft – 50.00%, Gazprom - 6.15%, Republic of Serbia - 29.87%</p> <p>Oil refinery in Pancevo – two phases of modernization: until 2012 for €500 million and until 2020 for €300 million</p> <p>Retail network in Serbia, Romania, Bulgaria, Bosnia and Herzegovina (more than 400 gas stations)</p> <p>extractive assets in Serbia, Bosnia and Herzegovina, Angola</p>
Gazprom Neft Lubricants Italia S.p.A, Italy	Lubricant facility in Bari , production for European market
GazpromNeft Lubricants Balkans	production facility based in Belgrade
Hunin-6 , Venezuela	<p>Joint venture Petro Miranda, 40% - National Oil Consortium (Russia), 60% Corporacion Venezolana del Petroleo (subsidiary of PDVSA), Gazprom Neft – 20% in National Oil Consortium</p> <p>10.96 billion barrels of crude oil reserves</p>
GazpromNeft Marine Lubricants, Singapore	registered in 2019 , produces lubricants on local facility AP Oil

Technological cooperation

Schlumberger, France	<p>2021 agreement on technological cooperation – joint development of digital services across Russian upstream (including the joint creation of new drilling and well-design software, data analytical tools for geological prospecting, enhanced oil recovery technologies)</p> <p>Main platforms for cooperation – Schlumberger Tyumen competency center in West Siberia, Moscow Research Center, Nedra (Gazprom Neft contractor developing and integrating digital oil production solutions)</p> <p>Alignment of elaborated technologies with the set of standards of International Open Subsurface Data Universe</p>
Halliburton, U.S.	<p>2013 cooperation agreement for introduction of new technologies to improve operational efficiency in Gazprom Neft fields</p> <p>2020 outline cooperation agreement for construction of wells at the Achimov oil formation in Siberia</p>
Weatherford, U.S.	<p>2014 strategic cooperation agreement on technological solutions for the development and production of the oil fields</p> <p>2017 5-year agreement on technological cooperation (trainings for Gazprom Neft staff, information sharing, launching and monitoring joint projects)</p>

Tecnicas Reunidas S.A., Spain	<p>since 2021 - contractor for managing the construction of the delayed coking unit at the Moscow refinery future deep refining complex (project design; equipment deliveries, including deliveries of Russian-manufactured equipment; managing and overseeing construction, installation works and acceptance testing)</p> <p>contract for 20 billion rubles (app. \$271.6 million) until 2025</p>
DL E&C Co. Ltd., Republic of Korea	2021 agreement on construction of hydrocracking facility at the Moscow refinery complex
Keppel Offshore & Marine Ltd (Keppel O&M), Singapore	2018 agreement on construction of Gazprom Neft first LNG bunkering vessel which was commissioned in 2021
Shanghai Electric Group, China	2017 agreement on construction of 200 MV gas-fired combined heat and power plant in Serbia (TE TO Pancevo established in 2015: 51% - Gazprom Energoholding, 49% - NIS with Gazprom Neft as main shareholder), planned commissioning in 2022
Abu Dhabi National Oil Company (ADNOC), UAE	2019 wide-ranging collaboration agreement including joint assessment of concession blocks and sharing digital technologies
Shell, UK	2021 MoU on expanding cooperation in hydrocarbon exploration and production as well as in reducing carbon footprint; potential use of carbon capture and storage technologies at joint ventures
Wintershall Dea, Germany	2016 cooperation agreement on joint enhanced oil recovery research
Saudi Aramco, Saudi Arabia	2017 memorandum of cooperation on drilling and well workover technologies, improvements to pumping systems, development of large-scale non-metal pipes, collaboration on the production of oil and gas field development equipment by localizing production either in Russia or Saudi Arabia
Mitsubishi Corporation, Japan	2018 memorandum of understanding on cooperation in developing high-technology projects in the shallow waters of the Sea of Okhotsk including sharing competencies and technologies in exploration and development, with opportunity to use gained experience in other Gazprom Neft projects
Mubadala Petroleum, UAE	<p>2020 memorandum of cooperation on technological collaboration: innovative solutions in oil production, digitalisation of production processes;</p> <p>implementation of the Paleozoic Project at Gazprom Neft-Vostok - developing technologies for discovering hard-to-recover oil deposits within Jurassic formations throughout the Tomsk region</p>
Mitsui, Japan	2022 agreement on developing of decarbonization projects (carbon capture & storage, blue hydrogen, alternative fuels for maritime transportation)
SNF, France	2021 partnership agreement on joint application of chemical enhanced recovery methods for the purposes of Russian oil industry (increasing output of old fields)
Raiffeisen Bank International AG, Austria	providing fully automatic payments in the framework of Smart Fuel blockchain platform for transactions between Gazprom Neft-Aero and aviation companies, registered in 2021

The Bank of New York Mellon, U.S.	owner of Gazprom Neft's American depositary receipts (ADRs) programme, received message from Gazprom Neft about termination since June 16
Airbus, France	member of Eurasian Sustainable Aviation Fuel Alliance established by Gazprom Neft for the development of Russian environmentally friendly aviation fuel

Trading

Euronova Energies, Switzerland	Gazprom Neft is reported as final beneficiary ; organizes deliveries of Russian crude oil to South-East Europe
JANAF (Jadranski Naftovod)	supplying oil for NIS Pancevo refinery in Serbia
China National Aviation Fuel Group Corp	signed strategic cooperation framework agreement
China – Chinese Sechuan Airlines, China Eastern, Air China, SF airlines, China Aviation Oil Hong Kong Rest of world - Lufthansa, Emirates, Air France/KLM	contracts on refueling services
Gazprom Neft Trading Gmbh, Austria	trading subsidiary headquartered in Vienna
AS Baltic Marine Bunker, Latvia and Estonia	bunkering subsidiary in Riga, Tallinn and Sillamae
Gazpromneft Marine Bunker Balkan S.A.r, Romania	bunkering subsidiary in Constanta
GazpromNeft-Aero foreign assets	filling complex in Kyrgyzstan
CIS retail network	202 filling stations in Belarus, Kazakhstan, Tajikistan, Kyrgyzstan
Retail network in South-Eastern Europe	420 filling stations in Serbia, Bosnia and Herzegovina, Bulgaria and Romania



RECOMMENDATIONS

The following measures are needed to expand sanctions to prevent Gazprom Neft from generating profits for bringing revenue to the Kremlin's regime from its hydrocarbon activities and preserve the influence of the Russian energy industry in the international arena.



1. Expand the sanctions against Gazprom Neft group and its leadership

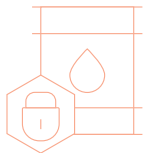
First, it is needed to include Gazprom Neft to the [US Special Nationals and Blocked Persons List](#) which provides the full blocking of assets and prohibition for U.S. persons of dealing with them at all. As for the end of May 2022, only Gazprom Drilling is present there among all Gazprom's subsidiaries.

Second, the United Kingdom was the only country issuing personal sanctions against Gazprom Neft CEO Aleksandr Dyukov. Additionally, the U.S. sanctioned Andrey Patrushev, Deputy CEO for offshore development, who is the son of Nikolai Patrushev, Secretary of the Russian Security Council and one of the closest Putin allies. Other people in charge of generating petrodollar profits for financing Kremlin's war machine include such Gazprom Neft officials as Anatoly Cherner, Deputy CEO for Logistics, Refining and Sales; Vadim Yakovlev, Deputy CEO for Exploration and Production; Aleksey Yankevich, Deputy CEO for Finance and Economy; Vladislav Baryshnikov, Deputy CEO for International Business Development; Elena Ilyukhina, Deputy CEO for Legal and Corporate Issues; and other members of the Board; also Vladimir Yegorov – CEO of Gazprom Neft-Aero; Aleksey Medvedev – CEO of Gazpromneft Marine Bunker; Andrey Belevtsev, Chief Digital Officer etc.

Third, the EU rules shall be revised for defining whether the asset owned or partially controlled by the entity included to the sanctions list should fall under the jurisdiction of sanctionative measures. The minimum threshold is defined as 50%+1. However, the incomplete inclusion of all relevant Russian

public companies makes it potentially possible to bypass these restrictions by manipulations with own shareholding while transferring some shares to companies not listed in the annexes of EU decisions on sanctions.

These drawbacks of “50%+” rule could be exemplified by some [decisions](#) of Gazprom Neft management in Serbia. Since the EU introduced the fourth package of sanctions in mid-March, the Croatian company JANAF, main oil supplier for the Pancevo refinery controlled by NIS (Gazprom Neft as main shareholder), warned it will stop deliveries due to the sanctions. At the beginning of May, two weeks before the start of the transaction ban, Gazprom Neft announced lowering of its share in NIS from 56% to 50% by transferring the remaining shares directly to Gazprom. Most probably, the company decided to bypass restrictions by using loopholes indicated in Article 5aa of the amended Council [Regulation](#) No. 833/2014. This article provides that entities with over 50% ownership by the companies indicated in a separate annex are subject of discussed restrictions on transactions. Nevertheless, despite Gazprom Neft being included, its parent Gazprom was left out of the scope of this regulation. Therefore, such a move potentially secured the further operation of Russian assets mitigating the negative effects of sanctions. Such manipulations should be prevented by substantial expansion of the sanctions list, lowering indicated threshold of minimal shareholding or by introducing a special general norm prohibiting transactions with any entity having any ownership relation with public companies of Russian energy sector (as defined by the Council [Regulation](#) (EU) No. 833/2014, article 1(u)).

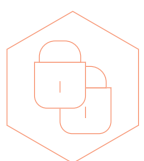


2. Impose the sanctions against any ships carrying Gazprom Neft's oil to the world market

It should prevent the Russian company from redirecting cargoes to Asian consumers to preserve some share of its profits. In June, the EU [adopted](#) its sixth package of sanctions prohibiting the financing and insurance certification of Russian oil shipping to the EU and third countries performed by the EU operators. It should enter into force after a transition period of six months. However, the EU-based vessel operators still are allowed to carry Russian oil to third countries.

Another way of potential manipulations is the possibility to transport Russian oil from Novorossiysk claiming the Kazakh origin of delivered products. [Clause 21](#) of the Council Regulation (EU) 2022/879 of June 3, 2022, allows the transportation of crude oil from Russia in case the origin of oil and oil products is non-Russian and Russia is only a transit country.

The prohibition for the EU shipping operators to transport Russian oil disregarding the destination of its deliveries and potential closure of the transit loophole (by means of stricter control over origin along the whole value chain) should minimize the possibility of Russia circumventing the EU oil import embargo. [Expansion of non-Russian](#) Kazakh oil export routes, e.g. the Baku-Tbilisi-Ceyhan pipeline, although more complex logistically and thus more expensive, should be explored.



3. Enforce U.S. secondary sanctions on the trading of Russian oil and refined products in any form and ensure effective monitoring of origin, supplementing the oil embargo

Despite its main dependency on the European markets, Russian oil companies still view the Asian markets as a viable opportunity in mitigating effects of the Western sanctions. [The commentary](#) of Gazprom Neft's CEO Dyukov about redirection of supplies to Asia and negative effect of the oil embargo for Europe is a prime example of such thinking. Therefore, the secondary U.S. sanctions [introduced](#) against Iran oil trading in

2018 could be seen as the most effective model for ensuring Russia has limited opportunities for getting revenues on other markets.

The establishment of an effective system of monitoring the origin of oil supplies is also essential, since many vessels with Russia-originated oil disable or [turn off](#) on-board automated identification systems (AIS), put the "destination unknown" label and [perform ship-to-ship transfers](#). Additionally, the usage of oil blends when the Russian crude oil is mixed with non-Russian products is another way of circumventing restrictions which need to be taken into account.

The European embargo on seaborne crude and petroleum products deliveries was agreed faster than full refusal from pipeline transportation (foremost via the Druzhba pipeline) due to the [resistance](#) of some Central and South Eastern European countries. However, we need to note that, according to the [information](#) provided by Gazprom Neft representatives, 2 out of 3 million tons of oil annually supplied to Europe are transported via the Druzhba pipeline system.

Significant amount of revenues due to higher oil prices could compensate for the decrease of maritime exports. Thus, it is essential to monitor on the EU-wide level the implementation of all needed measures by member states preparing the embargo (especially for countries obtaining special conditions - Bulgaria, Czechia, Croatia). The effective implementation of voluntary obligations for stopping importing Russian crude oil via pipelines, [made](#) by Poland and Germany, should strengthen the economic effect of imposed sanctions for the Kremlin war machine.



4. Consider acquiring Gazprom Neft assets in the EU (by nationalization or forced sale) and sanction them in associated with EU countries

Gazprom Neft owns a lubricant production facility in Italy, as well as retail networks in Romania and Bulgaria and bunkering business in Romania. These assets are less strategically important in comparison to the EU-based refineries owned by Lukoil or with partial shareholdings of Rosneft. Nevertheless, the implementation of these measures would provide general rules applicable to all types of the Russian assets located on the EU territory for the purpose of energy security.

However, the key Gazprom Neft asset in Europe (NIS group) is located on the territory of non-EU member Serbia. It could be used for bypassing sanctions by trading oil and refined products as if they had no relations with the Russians. Serbia was the only country aspiring for EU membership which has not joined the EU sanctions on Russia. Nevertheless, the resolution of the European Parliament, which was already prepared earlier, [links](#) potential sanctions on Russia by Serbia with its future European integration process.

Ensuring the alignment of Serbia with the EU foreign policy will play a crucial role in the revision of NIS shareholding controlled by Gazprom Neft and Gazprom. If no Russian crude could be transported and refined at NIS facilities (with alternative supplies ensured), no Russian refined products traded via its network, and no financial transfers be made to Russian owners, the Kremlin would be deprived of major leverage on Serbia in terms of economy.



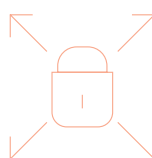
5. Prevent the transfer of Western technologies directly or through third parties to any of Gazprom Neft assets in Russia or abroad

Prohibition on sale and transfer of technologies concentrates on the assets located on Russian territory. The assets abroad where Russian companies could own shares, and therefore used them as ‘windows’ for technology transfer, are excluded from the EU restrictions and not reflected in the U.S. sanctions. Such an approach could not prevent cases of technological modernization which could be initiated in regard to Gazprom Neft foreign assets and then implemented by company experts at Russian-based facilities.

Additionally, Gazprom Neft has extensive cooperation with other Russian companies of public and private sectors in owning joint assets or coordination of technological solutions development. To the list of these partners, which could potentially benefit from Gazprom Neft technological advances or share their own, belong [Rosneft](#), [Lukoil](#), [Independent Oil and Gas Company](#), [Tatneft](#), [Aeroflot](#). Such ties make it highly possible the expertise would be shared among them by using the channels available for each entity. Additionally, the adoption of Russian law allowing the importing of goods without the consent of the copyright holders (so-called ‘[parallel imports](#)’) should additionally facilitate the bypassing of sanctions.

For that reason, it is essential to include foreign assets of Russian companies to the scope of sanctionative restrictions (after the end of some transition period), which would provide incentives for the Russian companies to exit joint ventures and sell shares in foreign assets. Second, a coherent advocacy work of respective institutions should ensure that activities of different memoranda on technological cooperation concluded with Gazprom Neft and other Russian companies by Western companies remain terminated, inactive or non-performing.

A separate advocacy campaign shall be aimed at cutting Gazprom Neft ties in formal corporate cooperation platforms. Such platforms include the Society for Gas as a Marine Fuel, the Joint Inspection Group (for technical standards for jet fuel). It is essential to cease any Western presence in the Eurasian Sustainable Aviation Fuel Alliance launched by Gazprom Neft for developing the first Russian environmental-friendly jet fuel (in particular, Airbus membership).



6. Expand sanctions on Gazprom Neft’s marine bunkering and jet fueling business

The delivery of these services by Gazprom Neft subsidiaries (GazpromNeft-Marine Bunkering and GazpromNeft-Aero) should be prohibited on the EU territory by imposing the general restriction on providing such services by entities registered in Russia, created under the jurisdiction of Russian law or owned (50%+1) by the companies belonging to the first two categories. The adoption of these restrictions by other countries will substantially limit Russian activities in this area, preventing development of this part of the oil value chain.

