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Gifts for the New Year are not only a warm and kind tradition. This is magic that children believe in every year with the arrival of the corporate landing of Santa Claus and Snow Maidens.

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DEAR COLLEAGUES,

I sincerely wish you a Merry Christmas and a Happy New Year.

These wonderful celebrations bring hope that all our plans and dreams will come true. But a better tomorrow will not come on its own – we need to actively work for it today.

This year, we are celebrating under unusual circumstances. Despite the objective hardships the coronavirus has brought to the world, all our production facilities continue to operate reliably and safely. It is not an exaggeration to say that what we have accomplished recently is nothing short of a feat. Amidst a pandemic, Sakhalin Energy was able to independently carry out a number of uniquely complicated technical tasks that enabled the company to successfully complete a shutdown of production facilities in a short time frame.

This past year, the contributions of Sakhalin Energy to the development of the global oil and gas sector have received well-deserved recognition from the Russian Federation authorities, the RF Ministry of Energy, the Russian Union of Industrialists and Entrepreneurs, and many other

credible domestic and international organisations.

Throughout this tough year, our company has demonstrated high reliability, much-needed flexibility, and the ability to promptly react to challenges. I am sincerely grateful to everyone for passing the test of our times with flying colours, the utmost professionalism, and exceptional teamwork. I believe that there is nothing we cannot accomplish together!

May sustainable growth and confidence in a bright future be a worthy reward for your efforts. I hope your winter holidays will be filled with fun and laughter! Spend this time with the people you love and cherish. Take care of your family and loved ones!

Happy holidays! Happy New Year!

■ Roman Dashkov,
Chief Executive Officer

More than 20 awards

of federal and international levels Sakhalin Energy won in 2020

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November

A «New Wave» media centre was opened at a school in Starodubskoye village. The project is being implemented with the support of Sakhalin Energy

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Sakhalin Energy held a dialogue meeting for the first time with the public online

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The «No War» literary and creative competition, dedicated to the 75th anniversary of victory in the Great Patriotic War, has come to an end

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Sakhalin Energy shared experience at the online First UN Regional Forum on Business and Human Rights in Eastern Europe and Central Asia

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The Sakhalin Regional Library received 365 copies of the book «Legends of the Uilta Peoples». Edition was released with the financial support of Sakhalin Energy

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Human Capital Development Agency and Sakhalin Energy signed a cooperation agreement



From a New Reality to a New Year

The Committee of Executive Directors shares plans for the future and wishes Sakhalin Energy employees a Happy New Year!

GRZEGORZ KULAWSKI, PRODUCTION DIRECTOR

In 2020, our company and the oil and gas industry globally have faced an unprecedented combination of challenges with the COVID pandemic and sharp drops in prices of oil and LNG. We had to rapidly adapt to the new reality, adjust our plans and ways of working, to maintain business continuity and to ensure financial robustness. This included a change to remote working for office staff, shifts for rotators extended plus 14 days observation prior to mobilisation.

Against this backdrop, how did we perform? Process safety results are impressive – the best performance ever. Shutdown was executed safely and on schedule. All assets delivered top quartile reliability, contributing to an estimated LNG cargo for the full year – a record! We continued delivery of major projects – OPF Compression, Molikpaq rig refurbishment and others. We started operations safely with the new state of the art AW189 helicopters. Our unit operating cost was reduced by 20%. These are tremendous achievements that we should be proud of!

Based on our performance, Sakhalin LNG plant was also recognized as Asset of the Year amongst operating units in Shell's Integrated Gas directorate. So this clearly a great team and I am very excited to now be part of it!

In 2021, we will no doubt continue to experience a challenging and volatile business environment, but our key priorities remain unchanged. They start with safety of our people, process safety and asset

Grzegorz Kulawski was appointed as Production Director for Sakhalin Energy on 01 November 2020. Grzegorz studied electronic and electrical engineering in United Kingdom, and holds a doctorate in control theory from University of Birmingham, UK. Grzegorz Kulawski joined Shell in 1998 as a Reservoir Engineer. He has since held several technical assignments and leadership roles in various Shell Group companies, including Russia, Australia and Nigeria. Between 2002 and 2005, Grzegorz worked as Lead Reservoir Engineer (Lunskoye) in the Sakhalin-2 project. Before joining Sakhalin Energy as Production Director Grzegorz worked as Vice President Safety for the Shell Group.

integrity, followed by reliability, cargo delivery, costs and growth – all underpinned by operational excellence. The focus areas for 2021 are: effective COVID-19 management, ensuring robustness of our barriers, production plan delivery, execution of the biggest Integrated Gas Chain turnaround execution, construction of OPFC towards mechanical completion.

So, big thanks again for all your hard work in 2020! As we enter another challenging year – please do look after each other, work as a team, set stretched targets – and let's succeed again!

ALEXANDER SHEYKIN, HR DIRECTOR

In the New Year's edition of Vesti-2019 I wished the whole team exciting challenges and new wins. Well, in 2020 we've got both of them

in spades! This once again has proven that our team is made of true professionals, who are always persistent, creative and passionate in overcoming the challenges and solving routine problems amidst the hardships.

Most notable among these is the successful completion of the Integrated Gas System Shutdown, despite the pandemic and challenging logistical restrictions.

I would like to pay tribute to the General Coordinating Committee, designated Task Forces and other subdivisions engaged in the epidemic prevention and response who have been on high alert for nearly a year. This is undoubtedly a significant and critical work that requires a great deal of commitment, and I would like to thank all those who have directly or indirectly been involved in this process to ensure the company's robustness.

Despite all the rough conditions, we are looking ahead with confidence and are already considering the new business reality strategy to adopt for the coming years. There is no doubt that the company, too, must keep up with times and change to measure up with the today's requirements and expectations of the employees. We have been elaborating on the implementation of combined work patterns, office space optimisation, company-wide digitalisation and a lot more.

And there are no ready-made solutions, it's us who can make the company the way we want it to be.

I wish good health, confidence in the future, achievements and wins to all of us in 2021! And may the new challenges be exceptionally positive.

TIMUR GAFAROV, TECHNICAL DIRECTOR

First of all I would like to thank TD team for ability to adequately address economic, social and consequent professional challenges of this unprecedentedly complex year.

Under difficult conditions of remote work at the time of pandemic and overall robustness testing of oil and gas industry we were able to implement all critical projects of the year (while ensuring the maximum production safety), maintain the continuity of planning processes and, more importantly, preserve the integrity of our team. I would also like to note the success achieved in the area of continuous Improvement and digitalization of production activities, work with partners and overall focus on introduction of best national practices and global innovative technologies. All this has enabled us to lay the foundations for implementing priority projects in 2021. I will list some of them.

Drilling and gravel pack completion of uERD well stock of Lunskoye field is planned until the end of the next year. Drilling of Sakhalin Energy's first 10-km long well of Piltun-Astokhskeye Field is of particular importance. In addition, further planning and preparation for the drilling of the next group of wells with the use of modern technologies, including multilateral wells at Piltun area, infill wells with new sand-control systems at Lunskoye field as well as drilling new wells at Astokh area after completion of refurbishment of drilling rig on Molikpaq platform.

As part of the additional internal exploration, initial appraisal of deep Nutovsky formation of Piltun-Astokhskeye field and deep Daginsky horizons of Lunskoye field will be carried out. Considerable and extensive preparations for 2022 seismic company remain to be carried out.

Another major task will be the further improvement of the whole family of models of our fields and producing horizons, including in-

ternal development plans in the area of modelling and building alternative models with the involvement of leading Russian scientific research and design institutes and centres.

We will continue to work jointly with the production directorate under the Assist and Assure programme aimed at developing safety leadership and better understanding potential risks. Another programme – Safe Work Design – implies updating the procedures together with our key contractors.

Next priority cluster of work will be digitalization in the field of managing our assets: further extending functionality of digital well files, developing and implementing the concept of the digital book of deposit and field, expanding the range of controlled digital data and resulting introduction and development of effective methods of multi-factorial analytics of development and production processes.

Dear colleagues, I would like to wish you and your families Happy New Year! Let it be a year full of peace and great love. Thank you for your work, for letting me understand that I always can count on you as you can count on me. I am confident that it will be a good and successful year with new objectives and new achievements. Congratulations!

ROGER HICKMAN, FINANCE DIRECTOR

The 2020 year has been a unique one with some extraordinary business challenges and, at same time, personal challenges in relation to health for staff, family and friends and our ways of working. Despite these unprecedented challenges, including decline in sales prices for hydrocarbons, the company's financial performance has been robust. This is founded on a record level of LNG production, achieved despite the COVID related impact on schedule, costs and our people. At the same time we have delivered a record level of cost performance. A truly excellent effort.

We should remember that during this year we both kept the core business going whilst at the same time delivering a large number of key initiatives, including a significant turnaround. Our continuous improvement initiatives continued very successfully and we completed over 450 individual initiatives contributing over \$80m in 2020 value impact.

So despite the market disruption and the challenges posed by the pandemic the strength of our company and our teams has been demonstrated again, achieving strong financial performance through the business cycle and major crises – even better than in the last crisis. A great credit to all our people, whose hard work and commitment ensured this outstanding performance, arguably our best ever given the market – well done and thank you. Let us now look forward to an improved macro environment in 2021 as the scientific and medical community come ever closer to solving this health crisis. Despite this promising news, please continue to be careful and stay safe.

KAISER LONE, LEGAL DIRECTOR

Our industry is currently experiencing a dual shock from the coronavirus pandemic (COVID-19) and a collapse in oil prices caused by oversupply with an unprecedented demand drop. Even though oil and LNG prices have slightly recovered from the historic low prices that we saw in April this year, but the oil industry continues to grapple with these twin shocks as we come to the end of 2020.

However, with contribution from every individual in the company we have successfully risen to the occasion and sequenced and tailored our responses to focus on ensuring that health and safety risks to our workforce are minimized. I would, therefore, like to take this opportunity to thank everyone of you for your contributions and hard work during these tough times.

We operate in a tough and complex regulatory environment as economic sanctions against Russia continue to get tougher. We will continue to focus on ensuring that we remain compliant with our regulatory obligations, including those of the Russian Federation. I look forward to a strong commitment from each one of you to continue to

help our company remain compliant with all its multi-jurisdictional compliance obligations.

Another focus area for 2021 and beyond will be unlocking our Growth Strategy. Legal will have an important role in designing and selecting appropriate and fit for purpose legal and commercial structures to ensure we are able to unlock the full commercial value from our Growth Strategy through maximization of production potential within our existing license areas and by developing new fields outside of our existing license areas either on our own or in partnership with other partners.

By the end of 2021, the asset transfer will kick in as envisaged under our PSA. We will continue to work with the Russian Party to ensure a seamless transfer of the assets.

ANDREY OKHOTKIN, COMMERCIAL DIRECTOR

To all of us, the year 2020 has become an eye-opener filled with quite many unlooked-for emotions. We watched the world undergo rapid changes just beneath our eyes.

In terms of challenges and goals that we as a company have set for ourselves, 2021 is going to be yet more exciting. This year, markets have recovered from historically low levels, which we successfully withstood having sold out all our products. Nevertheless, we should stay alert and be prepared for the next year's challenges. What lies ahead are new turbulences, uncertainties, rising in competition and innovation. We therefore must focus on our number one priority and distinctive feature that makes us the premier energy source for Asia-Pacific. We must achieve it through competitive struggle, defending our principles, satisfying our buyers' demands.

Among the key objectives that we are facing in 2021, is upscaling our efforts to secure feed gas for the period after 2028 followed by the PSA license extension. These include not only backfill of the existing two trains, but the project expansion as well, acquiring additional hydrocarbon volumes, promoting the company among the green LNG pioneers, mastery of digital technologies, the company-wide large-scale continuous improvement, that is, the key drivers of our progress.

In terms of marketing, LNG in the first instance, the ambitious goal for 2021 that we are pursuing is to secure mid-term deals for significant LNG volumes, which we start to deliver in 2022. We expect all tender and contract activities to be completed in 2021.

One of our essential tasks is to maintain and expand the strong pool of the oil and gas buyers who represent major countries in our region. The quality of our relationships with the buyers is currently being tested by the lack of face-to-face liaison. We nevertheless are still able to engage with them to resolve all operational and business matters, price negotiation including. However, we should not rely only on the old connections, the good vibes from the past and the company's unshakable reputation. We must make the best possible use of any other available interactions to maintain trust with the buyers until the cross-border business liaison is restored. Even as we speak, each of us can help make sure the customer care being the company's top priority is achieved through the concerted efforts of all subdivisions and reliable operation across all assets, from drilling rigs to gas carriers, while being aware of responsibility for every energy molecule produced and delivered to buyer's terminal.

The safety of our marine operations, reliable and timely delivery of cargo have always been a key priority for the company. This year, we were able to overcome all the pandemic challenges. We made sure all delivery dates are met. We kept track of and complied with all changes in legislation and practices relevant to the Asia-Pacific countries and ports. Together with our contractors, shipowners, we ensured that all ship crews maintain the highest discipline standards. And we will continue doing so.

When we work remotely, our team spirit goes down, therefore the words of support and encouragement are just what we all need. Don't be shy to say the good word to your colleagues or your loved ones. We will succeed! I wish you a Merry Christmas and a Happy New Year!

■ Prepared by Marina Semitko



Continuous Success

Even in the unstable environment we aim for success: this year has clearly shown that. It not only brought us difficulties and challenges, but gave us the opportunity to test our strength, the reliability of the anti-crisis systems, and to make sure our business is sustainable. Summing it up, we can say without any hesitation that as a company we are ready to embrace the new reality! Heads of the company's departments and divisions shared with us their key achievements in 2020.

ALEXANDER SINGUROV, DEPUTY PRODUCTION DIRECTOR, HEAD OF THE PRIGORODNOYE PRODUCTION COMPLEX:

— This year has become “fruitful” for the Prigorodnoye team despite the challenges of the new coronavirus infection. Moreover, they have helped us to speed up and improve many business processes. It is worth noting that this huge amount of work has earned us recognition as the best Shell LNG plant in 2020. The award acknowledged achievements in the field of safety, efficiency and reliability, and professional development.

Despite all the challenges caused by COVID-19, the LNG plant has passed the external Maintenance Integrity Execution audit (MIE) and has been proven to meet the “design” level. This result means that all work processes designed to ensure reliable maintenance procedures are efficient, the personnel is highly competent and personally responsible for the quality and safety of the work performed, and the plant has a risk management and problem diagnostics system in place, which is continuously working to identify causes problems that may occur.

It is also worth mentioning that we have successfully completed the planned shutdown during the COVID-19 pandemic in full scope according to the revised plans and finished three days ahead of schedule without a single LTI as per the Goal Zero programme. As entry to Russia was restricted, we developed and implemented the digital twin concept, where the work was performed without foreign specialists present but with online support from the manufacturers. This is the first such experience for us and also a huge breakthrough in digital transformation.

As part of the planned shutdown, we modified the mixed refrigerant axial compressor to minimise the risks of equipment failure and to significantly improve production reliability, and also performed many other tasks. To ensure that all safety and Goal Zero requirements were met, we developed and implemented a new Visual Onboarding concept to speed up the training of newcomers.

Moreover, we developed a long-term sustainable LNG strategy for the supply of zero-carbon cargo that will allow Sakhalin Energy to reduce its carbon footprint. We also thoroughly examined and worked through continuous improvement programmes that help the company achieve world-class results.

The LNG employees, from regular plant workers to senior management, showed strong team spirit, well-coordinated interaction of disciplines at all levels in Sakhalin Energy and contracting companies, professionalism and efficiency when making difficult decisions, all while maintaining a high level of safety culture and responsibility for each other.

DENIS LUTSEV, ONSHORE ASSETS MANAGER

— As this year comes to an end, I would like to underscore the absence of LTI, as well as tier 1 and tier 2 occupational safety incidents. Throughout the year, there has not been a single failure at the onshore assets that caused a decrease in oil and LNG production. With the limitations caused by coronavirus infection, long shifts, fatigue factors, in my opinion, this is an excellent result, exceeding expectations.

I would like to mention the prompt adaptation of the 2020 shutdown plans and their safe, high-quality and timely implementation. Moreover, all maintenance tasks for key equipment were completed, including the overhaul of gas turbine A, the modernisation of the control system and the drilling of new water wells at the OPF, the installation of a Russian bolted repair sleeve on the main oil pipeline; we also went on with preparations to connect the booster compressor station to the OPF given the separation of the “sterile bubbles” of the project and operation; and the company implemented a full range of measures to ensure the supply of gas to the Tymovskoye GDS. These tasks required non-standard solutions, teamwork, adaptation of work methods, including both the involvement of foreign specialists and interaction with third parties amidst the pandemic.

Some notable examples of digital solutions include computer vision (monitoring of the OPF torch), deployment of a wireless sensor system, industrial Wi-Fi in the OPF turbine hall, and data visualisation tools to solve practical production problems.

With all the limitations, the fatigue and uncertainty taken into account, I think that the team performed just brilliantly, and I am proud to be a part of this wonderful team!

MARAT REZYAPOV, OFFSHORE ASSETS MANAGER

— On the **Piltun-Astokhskoye-B (PA-B) platform**, the repair work was successfully completed as part of the 2020 planned shutdown with achievement of Goal Zero target (20 thousand man-hours). The list of major work included the replacement of the gas generator at the mainline compressor turbine unit, the inspection of the flare head and flare tower structure by industrial climbers, the inspection of 16 tanks and heat exchangers, and the replacement of the produced water filters with new-type filters for improved reliability.

We drilled, connected and successfully launched new producer wells PB-354 and PB-418. New equipment — a hydrocyclone — was put into operation to improve the quality of produced water treatment. This solution has proven to be efficient. By the end of 2020, we plan to complete the installation of the sand trap for sand detection in producer wells.

The large number of suggested improvements and efficient interventions demonstrates the active involvement of personnel in the continuous improvement (CI) processes. In 2020, the total number of initiatives under the CI process reached 280: 96 of them have already been implemented and 82 are in progress. Since the beginning of the year, the platform employees have submitted more than 3,400 intervention cards under the Goal Zero programme.

At the end of November 2020, the **Lunskoye-A (LUN-A) platform** marked more than 1,500 days without any registered HSE incidents. The platform employees showed that Goal Zero can be achieved: they performed the work without LTI, spills and injuries even amidst the COVID-19 pandemic.

Thanks to the experience and professionalism of the platform employees and the engineering and technical support team, the hydrocarbon production process remains at the safest and most stable level, with already more than 1,000 days having passed without unplanned shutdowns.

One of the most significant events in 2020 was the drilling of two gas production wells: the extra-long LA-524 (over 8.7 kilometres) at the beginning of the year, and LA-525 (6.8 kilometres) at the end of the year. The Operation, Repair and Maintenance Subdivision mainly focused on improving the reliability and performance of the produced water reinjection system. The team has achieved the goals set for 2020, but there are still many challenges ahead, which will be addressed in 2021.

In July, while operating in high alert mode, we successfully completed large-scale repair and maintenance of the platform. Proactive measures, timely adjustment of plans, as well as comprehensive support from onshore support services and the company's management allowed us to successfully complete the summer maintenance, planned repair and diagnostics campaign. Since production resumed there has been no downtime and no emergencies, which is indicative of the high quality of the work performed.

In autumn, we performed a scheduled replacement of the submersible pump for seawater supply. For the first time, the maintenance was performed with the manufacturer's Norwegian office consulting us remotely. We must give credit to our colleagues from the Repair and Maintenance Subdivision. Thanks to their skills and diligence, all the required work was completed on time.

As part of the company's personnel learning exchange strategy, the **Molikpaq platform (PA-A)** started 2020 off with a new team.

Despite all the known difficulties, the key rig modernisation project was launched on time. A project team of 100 people dismantled the outdated drilling rig equipment, mud pumps, auxiliary systems, pipelines, and automation equipment. Now we are ready to receive new equipment.

Together with the implementation of the rig modernisation project and the planned shutdown, the asset team performed maintenance of the key power supply and pressure support equipment and successfully completed all the measures required to prepare the asset for the autumn-winter period. It is worth noting that Molikpaq became the first platform where a new generation Augusta Westland helicopter landed.

Given the difficult situation with the spread of COVID-19 in our country and the world, the platform team has made every effort to provide reliable support to the company and to ensure the safe and stable production of hydrocarbons.

EVGENY UDOVENKO, HEAD OF THE ENGINEERING AND MAINTENANCE DEPARTMENT

— Despite this year's challenges, the asset personnel worked together with the Engineering and Maintenance Department to fully ensure the reliability and integrity of the production equipment and systems. Moreover, in line with the existing trend, we keep reducing the total number of equipment failures. I am proud to announce that in 2020 we had the smallest number of failures in the company's history. The credit for this achievement goes to all Sakhalin Energy technical employees.

The specialists and experts of our department faced up to the difficulties and learned to solve problems with new solutions and approaches. These include the active use of digital technologies for complex technical repairs, the system of dynamic assessment of risks, priorities and the implementation of compensating measures during planning, the development of predictive equipment monitoring, and the development of Russian contractors.

We are building the successful future of Sakhalin Energy: more than 50 % of young specialists of the Production Directorate continuously undergo training and with time are becoming top-level engineers in our department. This area is one of the key priorities for the heads of the Engineering and Maintenance Department.

ANDREAS VAN DEN DRIES, HEAD OF THE OPFC PROJECT:

— In 2020, we have managed to erect the main buildings and structures of the booster compressor station literally on a green field. The landscape has changed completely.

During the construction phase, we delivered almost all necessary materials and equipment — sometimes 30 trucks a day! We managed to avoid any incidents or injuries. Our subcontractors demonstrated their highest commitment to safe driving on the South Access Road and the federal highway.

During the pandemic we have focused on the provision of medical care and will continue to maintain the enhanced health monitoring of employees involved in the project.

SERGEY BAGRAMOV, HEAD OF THE PROJECT DELIVERY DEPARTMENT:

— I would like to tell you about two key events in the life of our department. I am talking about the modernisation of the K-1420 compressors at the LNG Trains 1 and 2, and rig refurbishment at the Molikpaq platform.

The compressors modernisation project team, which additionally included employees from various disciplines (work with rotating equipment, process development and control, contracts and procurement, equipment engineering support, etc.), quickly completed all the necessary project stages, from finding possible concepts to making the final investment decision. It was difficult not only because of the tight schedule, but also because we had to coordinate the interaction of a large number of contractors (MAN Energy Solutions, Shell Global Solutions Int, Compressor Controls Corporation, Siemens and others). We also had no experience in doing such work. During the 2020 planned shutdown, modernisation of the axial compressor at Train 2 was performed. In 2021, we will have to perform similar work on Train 1 as well.

In April this year, we began construction and installation work at the Molikpaq platform as part of modernising the drilling rig. The outdated equipment was dismantled (mud pumps, drilling mud vibrating screens, pumps for drill cuttings, drilling site equipment, including winches and the driller's cabin). When disassembling the equipment, it was important to make room and reinforce the foundation, to do the drainage work and to reinforce the platform's electrical system, thus ensuring proper conditions for the installation of new equipment.

Replacement of the pipe barn roof was completed, increasing the permissible load (up to 2.5 tons per square metre). In the near future, this will allow us to place the upgraded equipment there, and further on—heavy equipment during repairs, various drilling operations and planned shutdowns.

Thanks to the SCM Department, most of the originally ordered materials with long-term manufacturing were delivered on time. We will be able to assemble and install the equipment on the platform on time and according to plan.

ROMAN SINITSKIY, DEPUTY FINANCE DIRECTOR, SUPPLY CHAIN MANAGER

— Against the backdrop of a deteriorating price environment in the oil and gas market and the coronavirus pandemic, the key challenge for the SCM Department was to quickly reconfigure the business processes to ensure uninterrupted supply and to conclude and execute critical contracts. We developed a new model for working with contractors, which includes their mobilisation and observation, advance renewal of contracts, and the implementation of a remote service support programme.

The SCM Department ensured the supply of required materials, the conclusion of contracts, and the mobilisation of contractors for the 2020 planned shutdown on time and in full and began preparations for the 2021 shutdown. The SCM Department also provided support for the company's strategically important projects — construction of the OPFC, modernisation of the drilling rig on the Molikpaq platform, SAP S/4 HANA, replacement of the helicopter fleet.

Under the Sustainability 2020 programme, we developed and successfully implemented a strategy of negotiations with contractors, aimed at optimisation of the work scope and reduction of rates. Savings from the negotiations will amount to approximately US\$109 million, including optimisation of the work scope and commercial terms. One of the initiatives implemented under the Sustainability 2020 programme by the SCM Department together with the TD and FIB employees was acknowledged with the Continuous Improvement Award of the Committee of Executive Directors for Q2 2020.

The SCM Department has increased its focus on digital technologies. More than 14 work process automation initiatives have been developed and implemented. The initiative to develop an online request form for a material master record was acknowledged with the Continuous Improvement Award of the Financial Directorate for Q2 2020.

The Sakhalin Industrial Park (SIP) is included in the innovation cluster development project of the Sakhalin Oblast for 2020–2023. Sakhalin Energy plans to set up a production and technical facility for the service and repair of oil and gas equipment there. Fifteen companies signed an agreement of intent to become SIP residents.

SERGEY KIRIENKO, DEPUTY LEGAL DIRECTOR

— In 2020, the Legal Directorate provided comprehensive and efficient legal support in all business activities impacted by the coronavirus.

In cooperation with the business, we ensured the renewal of licences for the development of the Piltun-Astokhskiye and Lunskiye fields, as well as the extension of the corresponding transportation and processing projects.

In addition, the Directorate proceeded with internal reorganisation to create a new structure that would best cater to the needs of the company.

JANE ALCOCK, HSE GENERAL MANAGER

— For the HSE department, the year was full of events and challenges that were handled successfully. The key challenge was having to respond to the global coronavirus pandemic. Konstantin Kokorin, Head of the Corporate Health Section, led the COVID-19 Epidemic Prevention and Response Task Force, as well as ensuring other critical health management activities were not impacted.

Despite the challenges we continued with actions to improve health and safety at work. A significant amount of HSE training was transitioned to remote learning so that we could further develop the knowledge and skills of our staff and contractors. As part of our continued efforts to streamline and build in-house capability, we merged the Goal Zero for Supervisors and the Wells Assist & Assure training. This is aimed at enhancing HSE leadership skills and sustaining safe working environments. At Prigorodnoye the HSE learning experience was further enhanced with a “visual onboarding” facility providing practical training materials.

The successful HSE onboarding and refresher training of the many staff and contractors involved in the 2020 shutdown activities contributed to their safe execution without recordable injuries. Much credit should be given to the HSE personnel who were involved in the planning and execution of these activities. We were still able to go ahead with our Summer and Winter Safety Days, although had to adapt to making the materials also suitable for an online format. Feedback showed that the focus on human performance and developing a learner mindset, as well as topical health and safety issues, got our employees really interested and highly committed to increase their awareness of safe working practices and reduce the risk of injury. The Winter Safety Day was the kick-off for a marathon — a series of events dedicated not only to winter hazards, but also to working in the new conditions, readiness for change, and the role of HSE leadership in dealing with these challenges.

For the second year in a row, the Goal Zero survey was available to all contractors and subcontractors as well as Sakhalin Energy employees. In 2020, over 1,700 respondents took part in the survey; thank you to everyone who participated. The results are currently being analysed and will help us to see where we most need to focus.

This year we rolled-out an electronic tool for filling in observation and intervention cards. This supports the company's strategy of digitalisation of business processes to make them more efficient and enable greater value to be extracted from the data collected. By the end of 2020 over 14 thousand cards had been submitted online.

In the area of contractor HSE management, over 90% of mode 2 HSE-critical contracts were green-banded by the end of the year. 32 contractor HSE audits were done and there was a big effort to assure the HSE competence of contract holders with more than 100 assessments completed.

In addition, the company entered into new contracts for provision of personal protective equipment designed for use in hazardous environments. The new contracts allowed us to significantly increase the proportion of Russian manufactured goods whilst maintaining high quality and security of supply.

Regarding our environmental monitoring programmes, during the COVID-19 pandemic, the environment team rose to the challenge and were able to carry out the most critical work in-house, although some scope had to be modified and some monitoring postponed until next year. The annual Lenders monitoring audit went ahead in virtual format, with no major findings and commendations on the way the company has responded to the pandemic.

VADIM PANIN, LOGISTICS MANAGER

— Three new AW189 helicopters manufactured by Leonardo Helicopters have been delivered to the island. After assembly and maintenance, they were sent to Nogliki, in the north of Sakhalin. At the moment they are performing training flights to platforms, which will soon be followed by the full commissioning of the helicopters.

In response to the current challenges, TAFs have been set up and are functioning in the south and north of Sakhalin, and observation and isolation procedures have been established for company and contractor personnel.

Since March 2020, the scheme of delivery of personnel by the company's charter flights via the transport hub in Khabarovsk airport has been honed and is now functioning smoothly. In the event of bad weather, personnel can wait it out in the hub. Personnel shall be admitted on board if they do not exhibit any flu symptoms and have a certificate certifying that they do not have COVID-19.

The Logistics Department strives to constantly optimise its work processes and stay within budget.

LYUDMILA DEMINA, HEAD OF THE PERSONNEL ADMINISTRATION AND SAP HCM DIVISION

— Not only did challenges the company faced this year not affect the quality of its current operations in general and the HR Directorate in particular, but rather helped reveal a huge potential for moving forward, allowing us to rearrange our priorities and effectively manage the HR processes in the new reality.

A number of business processes have been automated this year. The most significant ones include the delegation of authority under the Manual of Authorities; the launching of the authority request service at the ESS/MSS self-service portal; the submission of employee applications for compensation under the "Direct payments to the SIF" project; the notification forms about the fulfilment by employers of their obligations to pay wages to a foreign citizen who is a highly qualified specialist. As part of the annual improvement of current operations, preparations were made for updating the systems to achieve technical readiness for the transition to SAP HANA and the migration of the systems to new equipment in the company's data centre. Optimisation of the number of Oracle server licences will allow the company to save up to US\$80 thousand annually.

With a share of personnel working remotely, a number of issues related to the signing and exchange of HR documents between employees arose. The Personnel Administration and SAP HCM Division employees have successfully addressed this problem, as they realise that electronic HR document flow will not only remain relevant, but will also become an important condition for the development of the company's business processes with partial or full-time remote work.

It is also important that the mobilisation of foreign highly qualified specialists involved in the adjustment and maintenance of foreign equipment was performed on schedule in strict accordance with the decrees of the President of the Russian Federation, orders of the Government of the Russian Federation, the Chief Sanitary Officer of the Russian Federation, which, among other things, allowed us to ensure the fulfilment of production tasks and the implementation of large-scale projects.

This year the division was faced with the biggest and the most complicated tasks, but we are seeing it out with good results, which every employee is responsible for. A unique team is the key to our success: young, talented and, as we have witnessed, efficient, with great potential for development.

SERGEY LEDIN, HEAD OF THE ORGANISATION DEVELOPMENT, COMPENSATIONS AND BENEFITS DIVISION

— The key milestones of the outgoing year are the restructuring of the main

processes, their adaptation to a new remote working format while maintaining the company's efficiency and business continuity, as well as the correct prioritisation and solutions to many non-standard issues arising during the pandemic.

We could clearly see the dedication of our colleagues, our company's team spirit and the disappearance of those barriers that could sometimes be observed in a calm and slow-paced environment. Many employees jumped at the opportunity to show their leadership skills. 2020 has also brought to light certain areas for development in HR processes, which went unseen in the past or have manifested themselves more acutely now. We will have the opportunity to work on them next year and implement improvements.

SERGEY DODA, HEAD OF THE FACILITIES MANAGEMENT AND DEVELOPMENT DIVISION

— One of the achievements of the Facilities Management and Development Division (FMDD) was the introduction of the 1C MRO system. The implementation of the new project began back at the end of 2018, and it took us less than a year to complete the first stage. The second stage should be completed in 2021 (*for details, see Vesti, November 2020*).

In addition, in 2020, we began to upgrade the security and fire alarm system at the Zima Highland residential apartments. Water leakage and temperature sensors were integrated into the system, which will minimise the response time in case of an emergency and significantly reduce costs. Overall, the entire maintenance and repair plan was completed on time and in full.

When the whole world faced the new COVID-19 infection and the company switched to a high alert regime, the FMDD was directly involved in organising TAFs for shift personnel and in implementing anti-epidemic measures.

With many office employees working remotely, the company now has further opportunities for office space arrangement: at the moment the resources are being reassessed. Together with the IT/IM Department and the Human Resources Directorate, we are studying projects for reorganisation and digitalisation of workplaces in order to meet the needs of our time.

ALEXANDER TISLENKO, HEAD OF THE MOSCOW REPRESENTATIVE OFFICE:

— Throughout this difficult period, which became a serious test not only for Sakhalin Energy, but for the entire world community, we once again are proving that the company is mobilised and focused on solving the tasks set by the shareholders, and no difficulties and obstacles can prevent us from achieving our goals. Detailed and strategic planning, and the ability to promptly respond to the challenges of our time allow us to maintain sustainable development and confidence in the future.

We can say without any hesitation: the scale of what we have achieved this year is impressive. The efficient and reliable work of the whole company is based on the efforts of the entire close-knit, multinational team, including the Moscow Representative Office. After all, the representative office, whose work may go unnoticed at first glance, starts to play a major role when we need to build meaningful relationships and effective dialogue with government agencies, shareholders, and partners. This year alone, we prepared and conducted more than 100 remote and face-to-face meetings, including the meetings of the General Coordinating Committee, different working groups, the Supervisory Board, the Board of Directors and the Committee of Executive Directors (some representatives were present in person, observing all sanitary standards established by the company). It is obvious that the business reputation of the company depends on the quality of the events it organises and its ability to build partnerships, trusting relationships.

Once again, I want to thank everyone for their cooperation and support in organising the work of the representative office. We are always happy to see you in our Moscow office and are ready to do our best to make your work in Moscow productive, comfortable, and safe.

ANDREY KIKEVICH, HEAD OF THE CORPORATE SECURITY DEPARTMENT

— The Department provided security services and controlled compliance with the observation regime at temporary accommodation facilities (TAFs) organised by Sakhalin Energy on the territory of the Sakhalin Oblast; it also mobilised additional contracting personnel to support the operation of TAFs.

We developed and implemented new technical solutions to prevent unauthorised personnel and persons with a high fever from accessing the assets. We also took measures to prevent the negative impact of the pandemic on the general level of security and anti-terrorist security of the company's assets. Our comprehensive work continues to ensure the economic security and protection of the Sakhalin Energy's assets.

VIKTOR SPITSYN, HEAD OF THE INDUSTRIAL AND FIRE SAFETY, WELL BLOWOUT SAFETY AND EMERGENCY RESPONSE DEPARTMENT

— Among the key achievements of the Department in 2020 were corporate drills with the participation of the day-to-day management bodies and federal executive authorities, organised to hone the procedure of engaging emergency

services and rescue teams of foreign states to eliminate possible emergencies.

An important milestone was the introduction of the industrial safety certification system through the Unified Testing Portal. This is the official Ros-tekhnadzor portal where the employees can remotely pass the certification required by Russian legislation at a time that is convenient for them and without any disruptions to the production process.

Also, the Department now has a web page, which contains templates of the main documents (orders, schedules, lists, logs, statements, instructions), thus significantly facilitating the preparation of industrial safety documentation for the production units. The web page also has a feedback option. Any user can make suggestions and pose a question to the specialists and managers of the department.

KONSTANTIN KOKORIN, HEAD OF THE CORPORATE HEALTH SECTION

— In 2020, one of the main tasks for the centre to develop and implement measures to prevent the spread of infection and coordinate actions in case of infection with coronavirus was the organisation of temporary accommodation facilities (TAFs) on the territory of the Sakhalin Oblast for a 14-day observation period before personnel can enter the company's sterile assets (along with the development of new and updating of existing regulatory documents for the implementation of measures preventing the spread of infection). In total, there are three TAFs in the north and south of the island. Work is in progress to establish additional TAFs in the north.

All TAF personnel undergo mandatory training on anti-epidemic measures during the COVID-19 pandemic. An important contributor to the prevention of the spread was the testing of office and shift personnel: totally more than 20,000 tests have been performed.

Together with the Regional Ministry of Health and Rospotrebnadzor, we developed an efficient decision-making matrix for employees with suspected COVID-19 at an asset, as well as an interaction procedure during medical evacuation of employees with suspected COVID-19.

The members of the centre support interaction and communication between the departments and the production facilities, the contractors and TAF management, the prevention and treatment facilities and the government agencies around the clock. In addition, employees are informed about the risks of and preventive measures against COVID-19; a psychological help line has been set up. The centre also supports business continuity and continuous improvement during the COVID-19 pandemic.

ARTHUR LUBNIEWSKI, DEPUTY COMMERCIAL DIRECTOR

— The year 2020 will be remembered as a once in a life-time challenge and experience in Sakhalin Energy's history. We have faced a combination of supply shock and demand shock in the LNG and Oil markets, further multiplied in its impacts by the ongoing threat of a COVID-19 pandemic, which impacted all our activities. Starting from producing our oil and gas, up to final delivery of our products and engagements with our customers, the efforts undertaken by all Sakhalin Energy employees were tremendous, ensuring our position as world-class, reliable supplier and premier energy source in Asia-Pacific. The Commercial Directorate has contributed through the following key achievements in 2020 to Sakhalin Energy today's strong position throughout these unprecedented, challenging times:

- Successful sales of a record number of 41 uncommitted LNG cargoes on the spot market with premium to market levels, and optimised sales of uncommitted crude oil cargoes throughout demand shock and low LNG/oil prices environment. Effective closure of price review discussions with existing LNG buyers and of contracts for all term crude oil cargoes for 2021 in highly uncertain and volatile environment.

- Safe and reliable deliveries of all LNG and crude oil cargoes throughout pandemic threats, successfully managing and complying with tremendous logistical crew change challenges and constantly increasing delivery restrictions at all ports in

Sakhalin Energy's core markets.

Solid progress on out-of-licences opportunities development, further maturing South-Lunskoye opportunity beyond Decision Gate 1 into assessment stage.

I would like to thank each and everyone in the Commercial Directorate and in other Directorates who successfully contributed to these great achievements in 2020 and look very much forward to all opportunities and challenges in 2021! Fantastic teamwork!

ALEXANDER TVOROGOV, HEAD OF IT/IM DEPARTMENT

— One of the key achievements of the Department in 2020 was certainly the transfer to remote work and building the IT communication system in temporary accommodation facilities. All tasks were completed expeditiously, which ensured the sustainable operation of the company.

Development of the Digital Strategy became a priority and employees of many company units were engaged in this work. Its implementation will become the foundation for the digital transformation of Sakhalin Energy in the coming years.

We successfully completed the first phase of the Data Centre-Based SAP Implementation Project (Preparatory work and preparation of tender documentation) and started implementing the next phase, which includes infrastructure deployment and historical data migration. Launch of the new system, which is one of company's key digital platforms, is planned for the end of 2022.

As part of the work on a predictive equipment health monitoring system, a pilot project was completed entailing the selection of an implementation platform.

A project for wider use of electronic signatures is under way — signing off on 2021 of rotation personnel work schedules will take place as part of a mass pilot project.

Another department project was aimed at the introduction of new IT infrastructure in company's Moscow office — the hardware and software package (telephony, network) was upgraded. In addition, support was organised for digital projects requiring local staff in Moscow.

NATALIA GONCHAR, HEAD OF CORPORATE AFFAIRS DEPARTMENT

— In 2020, the business faced problems so unique they probably have never been described in any textbook. We couldn't draw on international experience, since in the first months of the pandemic it was simply not developed. There were no comprehensive answers to many questions concerning the new infection. However, it is absolutely clear that stakeholder engagement is the first thing to pay attention to in a crisis.

For the company, the situation changed every day: statistics, instructions from government agencies, implementing numerous measures and activities aimed at preventing the spread of infection to the production assets. All this required the upmost promptness of communication and information management.

It was critical to ensure broad information sharing to company and contractor staff as part of GCC scope, to organise a hotline to serve as a channel for receiving live data and answers to any questions related to activities under pandemic conditions; to develop internal and external issue-related web pages.

In addition, several focused projects were initiated to support the healthcare, education and social protection institutions of the Sakhalin Oblast to minimise COVID-19 impact in the new reality.

In order to disseminate experience, Sakhalin Energy published a collection of case studies on operating during the pandemic. The practices described therein relate to changes in practically all areas of the company's activity.

For all of us COVID-19 became a test that made us rethink our approaches to organising business processes. The chances for a successful rapid transformation to a new reality will be better if a knowledge base is generated. And this year has shown that we did it together!

■ Prepared by Marina Moruga



Moving Upwards

[results](#)

If the work of the Technical Directorate in the outgoing year were represented in the form of a balloon, we could see that its movement was influenced by two forces: hot air, which was lifting it up, and the wind, which was trying to knock it off the course. Henri Jaspers, Head of Field Development Department, Rene Woertman, Wells Manager, and Konstantin Troyanov, Head of TD Business Support Department, tell the readers about how they have managed to rise above the challenges and successfully reach all targets.

GEOLOGY AND FIELD DEVELOPMENT

Despite challenging external circumstances this year, we have managed to successfully accomplish the main tasks: to complete a full-scale technical expert examination of all projects, to develop strategies for the development of disciplines, to agree on a plan for the succession of the key technical and managerial personnel, to conduct self-assessment by discipline, and to organise workshops and group trainings in the video-conferencing format. We have implemented the programme to improve the culture of technical expertise and continue to systematically train internal candidates for managerial positions in the technical disciplines.

The list of our achievements also includes the update of key local regulatory documents on assessing the safe range of drilling mud weights and on predicting the position of faults, reservoirs and their saturation in the wells being drilled, on ensuring the integrity of reservoir-seal rocks, as well as procedures for archiving 3D models.

In addition, a project has been initiated to implement alternative geological, hydrodynamic and geomechanical models of the assets developed by the company, which is being realised by Russian R&D centres and institutes.

Despite the challenges, we have managed to complete in accordance with the plan the processing and comprehensive interpretation of 4D seismic data (2018) and to obtain new high-quality data in the Lunskeye field, to clarify the development status at all assets, and to monitor the integrity of seal reservoirs. In addition, we have carried out the initial scheduling and feasibility assessment of a 4D seismic acquisition to be carried out in 2022.

LUNSKOYE FIELD

The Well Reservoir and Facility Management (WRFM) campaign has become one of the milestones this year. Despite the rapidly changing external conditions associated with the pandemic, we have managed to carry out WRFM works at four wells, in particular:

- Wellhead equipment has been successfully replaced at Well LA-522, one of the most productive wells in the field (as part of the Lunskeye field X-mas tree equipment replacement strategy);

- Information has been obtained on the state of downhole equipment at Well LA-508, and the feasibility of lifting restrictions on its productivity has been confirmed;

- An extensive program of geophysical research was carried out on LA-513, which helped to localize the place of flooding in the well (in order to avoid massive water breakout and subsequent reduction in well productivity, proactive isolation of the watered reservoir intervals was undertaken);

- An extended test has been carried out at well LA-506, which has contributed to the lifting of the previously established limitations on the well productivity (the same positive effect as in LA-508).

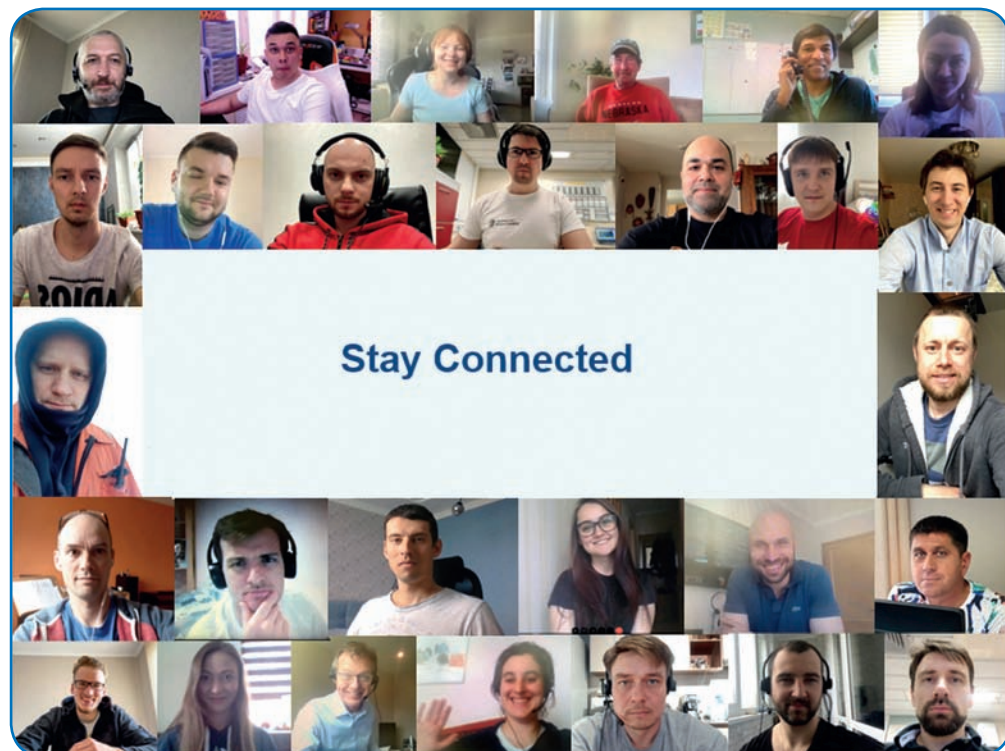
The currently inactive LA-512 absorbing well has a trajectory passing through all gas-saturated reservoirs of the field; therefore, it is used to monitor the progress of the gas-and-water contact. The logging data from this well will form the basis for determining well productivity for the entire field and scheduling next WRFM campaigns.

A timely check of the leak-proofness of all wells of the field, which is necessary for their safe operation, has been successfully carried out thanks to the well-coordinated and efficient work of the Technical and Production Directorates personnel working on the LUN-A platform. The water and drilling waste disposal system of the platform has been tested to confirm its readiness for daily work and drilling of new wells. These works will ensure the stability of production during the period of peak loads on the system in winter. Moreover, they will help to gather valuable information for the management of the field and its further development.

The team has also achieved significant results in the preparation for the construction of new wells: preparatory work on the design and construction of LA-525 and LA-523 wells, necessary for the final stages of decision-making on drilling, has been completed ahead of schedule.

A programme for drilling sidetracks off gas producer wells has been developed and a feasibility study has been prepared for high-priority candidates, which has been of great help in the approval of a long-term production forecast and determined the direction for sidetracks design. Additionally, work has been started on the selection of new well completion methods with the possibility of controlling sand recovery for future sidetracks – this is a more economical and less time-consuming alternative to the sand filter technology. Testing of materials has not been completed yet, but we can already state that the results look very optimistic.

The capacity of the LA-519 absorbing well has been assessed as part of the long-term maintenance of the waste disposal system. We have found that the current drilling waste injection interval can be used to dispose of drilling waste from all planned wells.



Our achievements of the year 2020 include the completion of the first phase of updating the integrated model of the Lunskeye field. Information gathered during the drilling of new wells, the data from the latest geological and technical activities and the monitoring of field development, as well as the results of the interpretation of the 4D seismic survey carried out in 2015 have made it possible to represent the geological and hydrodynamic models of the field more accurately. This has enabled the team to:

- Improve a longer-term forecast for gas and water production (which indicates the possibility of increasing the field development period to four years);

- Optimise the process of selecting the position of infill drilling wells at the well design and construction stage (used for LA-523 well);

- Increase the total Category 2P reserves of the field and include the results obtained in the annual reserves accounting;

- Improve the approach to predicting potential cargo losses and measures to prevent them;

- Increase the accuracy of estimating the water breakthrough time in the wells of the development asset (this affects the choice of their operation mode and the scheduling of geological and technical activities).

The Lunskeye field team has also made progress in the automation of current processes and completed a pilot project for virtual water metering – a new technology that allows allocating the total measured volume of water in the field to individual wells.

PILTUN-ASTOKHSKOYE FIELD Astokh Area

One of the primary and most important tasks for this year was to prepare the well stock of the Astokh area for a long period of planned modernization of the drilling rig on the Molikpaq platform, and to ensure stable hydrocarbon production for this period. The complexity of this work was associated with the limited time before the start of the modernization project, the large number of wells designed almost 20 years ago, and the existing risk

of sand removal at several key production wells.

The year was fruitful, if challenging, for the Astokh area development team. Two wells have been successfully commissioned at the beginning of the year: PA-108 well, where a gravel filter has been installed to control sand recovery, and PA-106 well, in which the tubing has been replaced together with an underground shut-off valve and a bottomhole pressure control sensor. As a result, the reliability of downhole equipment has been increased, well integrity has been restored, and performance monitoring has been improved.

This work, along with the replacement of Xmas tree equipment at PA-112 and PA-113 wells in order to prevent leakage, has completed the preparation of the Molikpaq platform for the scheduled shutdown required for the upgrade of the drilling rig, which began on 01 April 2020 and will last until 2022. In addition, testing of the wells for leak-proofness without loss of production was carried out in April and October.

The external situation on the energy market has not spared the Astokh Area. The production and development team decided to make the most of the current situation and performed particularly significant work – testing of the export system. This indicator is key for the long-term production forecast, as well as for the project to install an export oil cooler.

Another important event in the outgoing year has become the interference testing of wells in one of the productive reservoirs. As a result, communication has been confirmed between three injection wells and four producer wells of XXI-1' reservoir. The obtained data will allow us to calibrate the hydrodynamic model of the Astokhskeye field and influence the strategy for the subsequent development of this reservoir.

Among the important achievements of 2020, we should highlight the preparation of a large volume of reporting documentation. In particular, eight reports have been prepared on the completion of works at wells in 2017–2020, including the defence of these works at the final stages of decision-making.

Performed integration work on updating of the geological-hydrodynamic model of the reservoirs of the Astokh Area with determining infill drilling, completed in a timely manner cycle the systematization of knowledge, which allowed us to focus on building a resource planning on 2022–2024 years. The strategy, which includes information about the types of wells, their number, and drilling sequence, was successfully approved at the final decision-making stage in October.

The issues related to the design of the lower well completion were reviewed, and a concept was chosen using an easy-to-use, cost-effective and productive gravel filter in open wellbore. In addition, the possibility of optimizing the number of casing strings when drilling side wells and new wells is being considered. All this will improve the key indicators of the well.

To implement this strategy and to en-

metres), drilled with geosteering in the productive part of the reservoir with a thickness of only 3–5 metres. Truly a delicate and precise piece of work.

In addition to the shortest construction time, PB-354 well – the first well built in 2020 – has turned out to be so productive that we have exceeded the target set for it. This result is especially important now that the prices for hydrocarbons are low.

PB-418 well has proved to be as successful as its predecessor in terms of construction efficiency. Currently, a set of measures is underway to clean the well from the completion fluid and bring it to the optimal mode. The production results of PB-418 well will make it possible to adjust the plan of the reservoir's further development. The geological and field information obtained in the PB-418 well will allow us to adjust the development plan

from positive examples, our own and others', and from mistakes, transforming them into experience.

A big step forward in the ongoing year has become the revision of the quality assurance programme – checking the performance characteristics of equipment, beginning with the well design stage. Quality incidents – both with realised and not realised NPT (Non-Productive Time) along the whole spectrum of equipment, procedures and personnel are jointly investigated by TDW and its contractors as thoroughly as labour safety and health incidents.

The department has changed its organisational structure: now it includes well life cycle engineers, each of which acts as the “master” of a well from its design to commissioning, thereby ensuring design considerations are retained in the construction phase, and simultaneously

time (NPT) in comparison with respectively 18% and 12% in 2018 and 2019. Current NPT performance is leading the IG benchmark, which is especially impressive when taking into account the technical complexity of the wells. For example, the drilling of the PB-418 ST oil well has been completed 14.5 days ahead of schedule with just 2% NPT. It not only became the 4th consecutive Piltun-B well drilled Best in Class, it topped all industry benchmark data and as such it truly became the world's best well in its category. On Lunskeye The unique LA-524 gas well drilled to a depth of 8,413 metres has been constructed 31 day ahead of schedule with 3.3 % NPT. By the way, this well is notable for one more technical record: the longest casing liner for our wells (9 5/8 inches) has been installed using the floating method.

The department plans to maintain and further improve its results. We have all necessary prerequisites for this in terms of capability, and our next generation young engineers has successfully passed their first qualification exam under travel restrictions, having prepared for it under the guidance of their more experienced colleagues, without taking time off to attend specialised training centres. Such continuity gives confidence that continuous improvement in wells is there to stay.

APPROVALS

A large and painstaking work has been carried out to extend the licenses for the development of the Piltun-Astokhskoye and Lunskeye fields. The development of these fields is carried out in accordance with the licenses for subsoil use, which were issued to the company for 25 years in 1996. In 2020, in accordance with the terms of the Production Sharing Agreement, the licenses were extended (for the first time in the history of Sakhalin-2) for the next five years – until 19 May 2026.

The work aimed at the renewal of the licenses began in June 2018, long before their expiration date. Everything has been done in strict accordance with the procedures and in close cooperation with the company's Legal Department. The process was closely monitored by the company's shareholders and the Russian Party.

It is especially worth mentioning the company's Well Life Extension Standard Development Project. The reason for its implementation was that the Russian legislative framework did not have a clear methodology for extending the safe service life of well equipment. The document will be developed based on the best practices of Gazprom and Shell.

In addition, the documentation on the reactivation of PB-418 well and the completion of its construction has been developed and successfully approved for the first time in the history of the company. The timely positive conclusion of the RF State Environmental Expert Review has made it possible to commission the high-performance well in due time. In addition, works with documentation has been completed in the projects for the reconstruction of PA-108 well on the Molikpaq platform and the abandonment of a well borehole section and the subsequent suspension of PA-128 well. The team has taken an active part in the preparation of drawing for the construction of LA-525 and LA-523 wells.

(See more on page 10)



After completion of drilling of well PB-418, Piltun-Astokhskoye-B platform, July 2020

sure smooth drilling, we need a reliable well for drilling waste disposal. The project team considered in detail all possible concepts for maintaining the waste management function in order to maximize the use of the existing well while minimizing risks and costs. As a result, an overall plan was developed that includes improving the quality of pressure monitoring, optimizing the technological mode of operation, and the concept of a well overhaul program involving additional reservoirs if necessary.

Summing up, in this challenging year the Astokh team managed to solve complex and somewhat unique tasks. All this is possible thanks to effective synergy, continuous improvement and a positive attitude.

Piltun Area

Safe production and efficient field operation have always been the key priorities for the Piltun Area development team. At the same time, we have always done our best to minimise costs. For example, the integrity of PB-415 well has been restored using the method of chemical treatment of the underground safety-relief valve, which makes it possible to avoid expensive repairs and thereby achieve significant savings.

We put a lot of effort into increasing the production of oil reserves in reservoirs with low reservoir properties. The 2020 drilling campaign, aimed at producing oil from such reservoirs, have covered two wells – PB-354 and PB-418. Both wells are horizontal, with the longest production section for Sakhalin Energy (1,200

for the previously unused XXI-3 formation in Block 2.

An important stage of development is the team's plans for additional exploration and the start of production drilling in the XIX formation. The implementation of these plans is planned for 2021-2022.

The team continues to improve the Piltun Area development efficiency. This included an optimisation of the Piltun waterflooding strategy to enable more flexible water injection improving reservoir management and control of the vertical growth of fractures. In addition the development of the multilateral drilling project in the Piltun Area is in full swing; so are the latest preparations for drilling PB-353 well, a new world record holder among wells with significant horizontal displacement (the expected total length of the well is almost 10 kilometres).

WELL ENGINEERING AND CONSTRUCTION

Wells Engineers are accustomed to challenges, which are an integral part of their work. However, challenges can be of different kinds: natural anomalies, geological features, complex technical problems, economic fluctuations, and so on. The best way to overcome challenges is analytics, benchmarking, external focus, tight collaboration with business partners and contractors, and a relentless determination to jointly movement onwards and forwards to be the best.

To be ready to respond to challenges, we maintain the culture of a learning organization, that is, to develop staff, learn

returning operational knowledge back into the next design iteration (review – check – repeat).

During the pandemic, we only slightly reduced our training program by converting key HSE and engineering trainings to an online format.

Careful standardisation of the designs of all three platforms has helped to improve the design quality and efficiency of well construction works, since only two archetypes of producer wells had been identified: 1) a large-diameter gas well with a filter and a gravel pack in an open hole; 2) an oil well with a filter in an open hole.

Now we are working hard to take the next step and exclude the costly installation and filling of gravel filter from the construction of high-rate gas wells, replacing it with the other, more technological type of filters, which could potentially provide 20–30 % savings.

The hard work of the teams directly involved in drilling, development and maintenance operations has delivered the following results:

- Commissioning of three new wells in 2020 within a time frame corresponding to the best indicators in the industry; significant financial resources savings for their construction have amounted;

- Successful completion of the campaign to maintain and enhance oil recovery of the wells on all the platforms, including the Molikpaq platform, where the long-term drilling module modernisation project is being implemented;

- Reaching a value of 4.3% by the department in terms of non-productive

(The end of the article. The beginning on the page 8)

In order to optimise the company's costs and ensure timely approval of design documentation for the construction and reconstruction of wells by the supervisory authorities, the team has promptly organised a tender and completed it ahead of schedule, concluding a contract for the next five years.

RUSSIAN CONTENT

In 2020, active work continued to implement the Technical Directorate Russian Content Development Strategy. As part of the training of contractors in the provision of geological and engineering surveying (GES) services, a familiarisation visit of GeoTime representatives to the PA-B platform has been organised in the beginning of February for a detailed study of the company's requirements; a joint roadmap has been prepared for GeoTime to develop the required competencies; preparations are currently being made for an audit of the contractor's compliance

audit of the Baker Hughes plant in Tyumen is underway; following the audit, the plant is expected to start supplying Russian-made liner hangers to Sakhalin Energy – for the first time in the history of the company.

DIGITALISATION

The continuity of the Technical Directorate's work was preserved in 2020, despite the fact that the majority of the staff has been transferred to the remote work mode.

We are especially proud of the introduction of the eWellBook for the control of well operation in all the company's fields, the systematic deployment of this system and its integration with the WRFM processes. The use of the eWellBook has contributed to a significant reduction in preparation times and improvement in the quality of well performance assessment and production optimisation planning (for more details, see the August issue of the Vesti). The tool has also made it possible to harmonise

In addition to the digitalisation of key processes, internal reporting has been simplified and optimised: weekly data on field development and industrial safety indicators have now been converted into the electronic form. Kanban boards have been introduced for scheduling and controlling works (a corresponding digital tool makes it easy to manage several projects at a time; all processes are shown on the board using cards of different colours), electronic platforms have been deployed in Wiki, Jabber and WebEX for collaboration and communication. Training has been transferred into the online mode. The most significant result of the outgoing year, however, has become the change in the paradigm of trust: from the man to data.

BUSINESS PROCESS OPTIMISATION AND COST REDUCTION

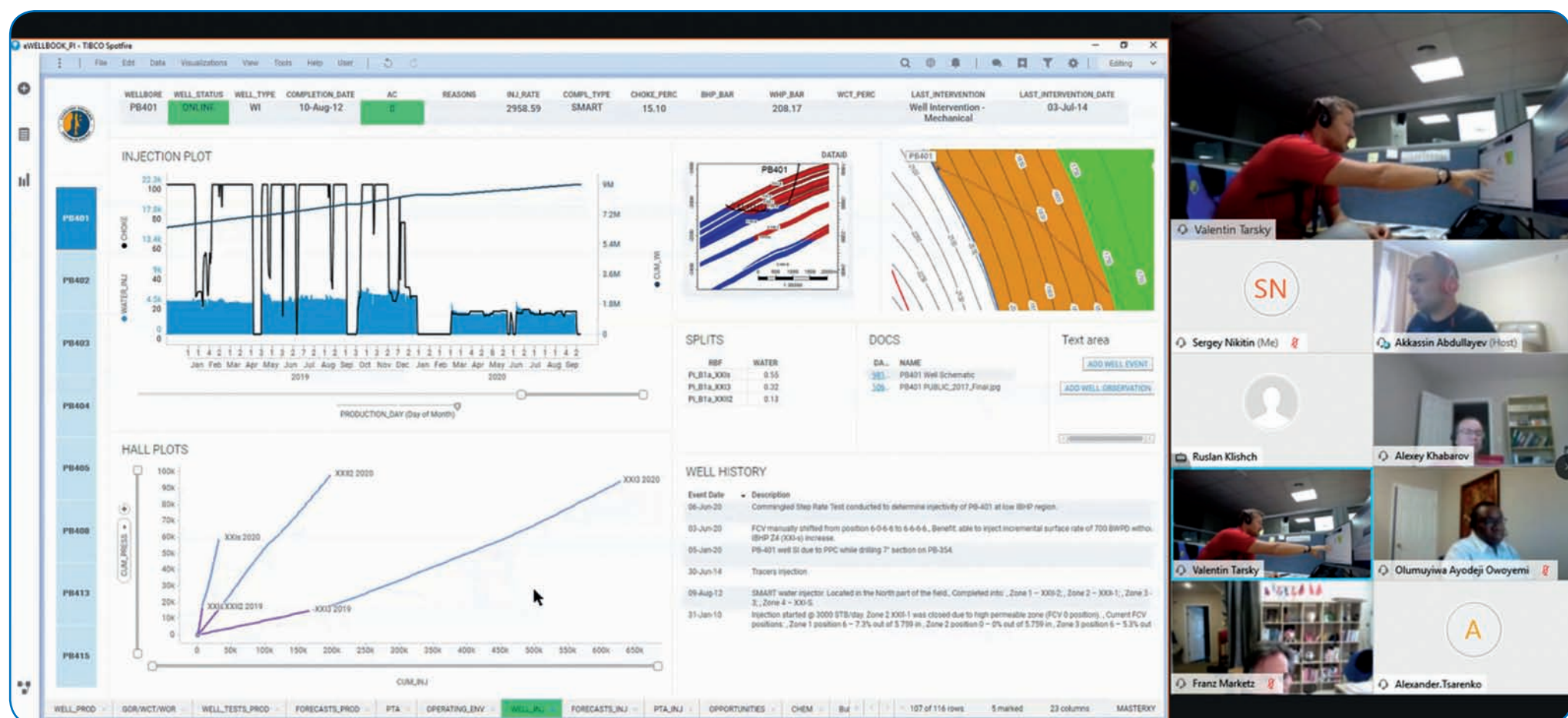
Implementing the Sustainability-2020 cost-cutting programme, the Technical Directorate has optimised costs for drilling contracts. The focus has been

In the outgoing year, two evaluation rounds have been held, during which 31 optimisation project has been presented, six of which have been selected as winning projects (for detailed information, see the July and December issues of the Vesti). 56 participants of the programme have received awards. Two of the projects have been awarded the CED Continuous Improvement Awards in Q1 and Q2 2020.

LABOUR SAFETY

Managing fatigue and keeping employees motivated to do their job safely are two goals that were particularly important to focus on in the new reality.

Several information sessions on fatigue and stress management have been organised for the staff of the Technical Directorate during the transition to extended rotational shift work. Later, this topic has been included in the scope of self-assessment criteria in the framework of the Assist and Assure training programme (questions have been developed for the detailed consideration of



The Piltun development team uses a digital format for an integrated assessment of the condition and performance of the well stock

with Sakhalin Energy's HSE and quality assurance requirements. Memorandums of understanding have been signed with a number of Russian providers of these services.

This year, testing of 9 5/8" casing pipes has been completed within the framework of cooperation with TMK after trial runs in 2018–2019. The international qualification of TMK 13 3/8" and 7" pipes is drawing to an end.

Work has begun to develop AKROS's competencies in drilling muds provision services; testing of AGD drillpipe protectors in LA-524 well has been continued. The supply of equipment for casing is another priority area for development. For this purpose, an assessment of the Russian market has been carried out, a manufacturer has been selected that best meets the company's requirements, and a strategy for developing relevant competencies has been agreed upon.

The department continues its work on import substitution. For example, tests have been carried out under the contract with Schlumberger to replace imported downhole drilling motors with Russian ones; the launch of this project has been scheduled for early 2021. In addition, an

the logistics process for carrying out risk management jointly with the Production Directorate and using the WRFM capabilities. The successful experience with the eWellBook has become an impetus for the development of the electronic file of the field.

In the middle of the year, following a successful test of the cuttings re-injection (CRI) well performance monitoring system in the Lunskeye field, we have begun developing a full-scale solution for all the company's assets.

In autumn, the optimisation of the information storage system on network drives was completed: a uniform structure was created, files were cleaned and migrated, an organisational role-based access model was introduced.

The metrics for well data quality management have been expanded by more than 30 %. Especially it is worth noting the completion of the implementation of well integrity monitoring metrics (DCS/eWIMS Control Loop) on all platforms, as well as the launch of metrics to monitor the relevance of well spacing diagrams (WSD) included in critical documents.

on optimising prices in the face of a falling market, as well as on more flexible contractual terms due to changes in operating activities. Together with the contractors, new contract terms have been developed and resulted in significant financial savings. The achieved result has been highly praised by the company's management – the team has received the Continuous Improvement Award of the Committee of Executive Directors (CED) in Q2 2020.

The Directorate has successfully implemented an internal business process optimisation programme aimed at rewarding employees who perform routine work processes more efficiently, using simpler and cheaper methods. The programme, which fosters the culture of continuous improvement in the Directorate, has been gaining momentum since its launch in 2010, and the number of its participants is growing along with the number of projects implemented jointly with other Directorates. This is important for the company as a whole, because joint initiatives prove the effectiveness of teamwork and bring common dividends.

the topic). Regular communication with the staff and the provision of additional days of rest during the rotational shift have helped, among other things, to avoid errors caused by loss of concentration.

Major safety measures have been transferred to the remote format. Monthly forums with the participation of contractors, Safety Days and training under the Assist and Assure programme should have played an especially important role in the assurance of labour safety. To preserve the interactive character of training, we have used work in small groups, various online surveys, exercises focused on detecting hazards, and communication with the staff in work situations. Instead of a traditional Sports Day, we have held a Fitness Challenge event, inviting its participants to take exercise individually and share their achievements with colleagues on a weekly basis. In addition, all planned leadership visits have also been held in the video-conference format.

The most important methods that have helped us to prevent incidents and improve workplace safety skills have been stress management, communication and the ability to keep employees motivated.

Equation With Many Unknowns

Sakhalin Energy has completed the first ever Lunskeye ocean-bottom node seismic data processing. We asked for details Alexander Golushko, the Head of Lunskeye Development Optimization Subdivision.

— Alexander, let's start from the basics — what is a seismic survey?

— This is one of the most informative geophysical methods used to remotely investigate subterranean structures and explore hydrocarbon and mineral deposits. The information is mainly provided by elastic seismic waves, which travel through the Earth's crust and are partially reflected on the boundaries between formations that have different acoustic properties. When the reflected waves travel back to the surface, they bring information about the structure and properties of the boundaries, from which they were reflected. In the onshore environment, elastic waves are produced by explosions of dynamite or TNT (the so-called drilling-and-blasting method) or by vibrators. However, in the offshore conditions vessel-towed air guns are used for this purpose. So, the seismic survey process comprises the stages of waves initiation, registration, data processing and interpretation.

Data interpretation is, I would say, the most intriguing part. When we study and — let's call it this way — decipher the travel time of seismic waves from the surface to reflecting boundaries and back and their distribution and dynamic properties, we get an image of the geological structure in the area or field being surveyed. We then can understand the depth and shape of the geological boundaries and tectonic faults, lithological and stratigraphic aspects, and, to some extent, the properties of the rocks in the target interval. Therefore, seismic survey gives us an opportunity to look deep underground and obtain critically important information.

Depending on the covered area, the seismic surveys can be 2-dimensional or 3-dimensional. While 2D seismic is a linear acquisition, 3D seismic covers a certain surface area and provides 3-dimensional data — along axes X, Y and Z, where Z is the registered travel time of the reflected wave. The 4D seismic is used to monitor the condition of fields, but we will get back to it later.



Completion of field observations in 2018. Retrieving sensor data

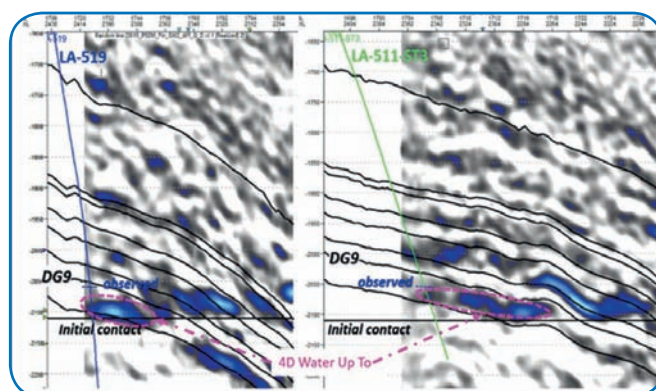
— Agreed, let's go step by step. What types of seismic surveys have been done at the Lunskeye field?

— The Lunskeye area has come through all geological and geophysical exploration stages — we have 2D profiles from prospecting and exploration, and more detailed 3D data that were obtained during appraisal of the field after its discovery in 1994. 3D surveys were done twice — in 1997 and 2003. The second acquisition campaign was done to improve the seismic images in the central part of the field impacted by the shallow gas clouds, and to reduce structural uncertainties in the attic part of the field. Both campaigns were executed using the standard technology for the offshore — when the sensors called streamers are towed behind a vessel. Sakhalin Energy did the first 4D seismic survey in 2015 — again using streamers — and performed the first 3D seismic with ocean-bottom nodes (OBN) in 2018.

— Lots of surveys, but are they of the same nature? Or does the difference in just one digit in the name change the entire approach and the end result?

— The purpose is the same indeed — to learn as much as possible about the structure of the field. Depending on the development forecast, which is refined with each stage, more and more details are required. While sparser and less expensive 2D profiles are enough at the initial prospecting and appraisal phases, more details are required on the way forward to better understand the structure of the field, and that's where 3D seismic comes into play. This is associated with much higher costs.

Once the field is mapped, studied, and enters the development phase, we need to monitor the processes in the hydrocarbon reservoirs being developed — change in the fluid contacts, progression of the waterfront, reservoir pressure decline and others. In other words, it's important to study the development trends of the field. Here enters 4D seismic.



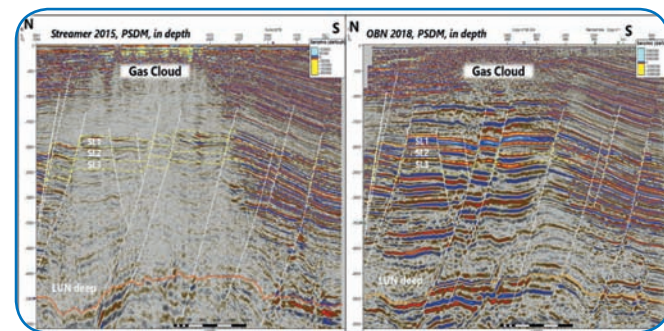
Gas-water contact (GWC) change assessment near wells LA-519 and LA-511ST3 based on 2015 4D seismic data. Dark blue areas are the intervals where gas was replaced by water as GWC went higher.

4D seismic survey is basically the 3D seismic repeated at a certain interval of time, so one more dimension — time — is added. Identical conditions are critically important for the success of 4D seismic. This repeated or time-lapse 'monitor' survey should reproduce the initial (or baseline) survey geometrically and parametrically as much as possible. Only in this case the seismic signal will be repeated identically, and the difference will reflect the changes in the acoustic properties of the reservoir profile that occur in the course of development, which is the goal of the 4D monitoring. The seismic monitoring intervals depend on the speed of dynamic development processes — the faster is the development, the shorter time lag is required between surveys. International standard is every 4–5 years, which is also suitable for our fields.

— Why then did we do an OBN survey at Lunskeye in 2018? You mentioned that it was the first survey of this kind — does it mean that you sacrificed the sameness of the surveys?

— Indeed, if we speak about Lunskeye, it was the first time this type of seismic survey was done here. The main reason for that was again the notorious shallow gas. The international experience demonstrates that this seismic survey type is the most effective way to fight distortions of seismic data caused by this phenomenon in the offshore. In an OBN survey, the seismic sensors are installed on the sea bottom — and that is the difference from the traditional offshore streamer acquisition. The seismic data quality improves due to a more flexible approach to the monitoring system which can "shoot under" the shallow gas clouds. This solves the problem of distorted seismic data caused by gas clouds absorbing the energy of seismic waves.

Over the years of development, the gas-water contact approaches the attic of the reservoir, and we must understand how it moves. With no 4D seismic, the information would be obtained at random points based on well logging, but usually this is not sufficient to fully understand the trends and changes. OBN survey is also more convenient for 4D data acquisition than the traditional streamers — thanks to static location of sensors on the bottom the monitor survey can repeat the baseline survey very closely, which significantly improves the final 4D signal. Therefore we did the 2018 survey looking to the future: It is the baseline survey for future monitors, which in several years will produce 4D data under the shallow gas zone to uncover the trends and changes in the reservoir and will enable a better decision-making on further development of the field. But we also had another goal aside from baseline data acquisition.



Comparison of seismic profiles in the central part based on the 2015 (left) and 2018 (right) surveys. The seismic image is clearly improved in the shallow gas (gas cloud) zone.

— He who chases two rabbits will catch neither... Or did the result exceed your expectations?

— We can be deservedly proud of achieving the second goal together with the participating Shell experts and contractors from CGG, who processed the data. The matter is that we decided to get a 4D signal based on the difference between the 2015 and 2018 surveys. The estimated probability of success wasn't high because we had to harmonize the seismic data obtained using different methods — the traditional streamers in 2015 and the innovative OBN in 2018.

Although the initial probability of success was estimated only at 15–20 percent, we managed to obtain usable 4D data, which are now under interpretation. Once the interpretation is done (expected in several months) we will be able to better assess the water movement trends in the gas-bearing formation and update our development forecast and plans. On the other hand, finding confirmation for the current plans and forecasts will also be a great result.

I would like to highlight very effective and coordinated teamwork of two departments: Capability and Technology Subdivision and Lunskeye Development Division — Andreas Kirchner, Olga Timofeeva, Masashi Nakatsukasa and Maria Petrova.

Success would not have been possible without their great work! This is the first activity of this kind at the Lunskeye field. And we are also one of the pioneers in this field in Russia.

— An impressive result! So it appears that seismic data processing is the key link in this process? It took about two years...

— Obtaining field data is only the first stage of survey. Its final result will largely depend on the success of data processing and interpretation. The offshore data acquisition itself took about 3 weeks in 2018 and was performed by Sovcomflot using a Russian-flag vessel Vyacheslav Tikhonov among others. Standard data processing sequence with pre-stack depth migration took one year. As a result we obtained high-quality seismic cubes (visualised 3D models of the surveyed area) with a significant improvement under the shallow gas area. 4D data processing sequence started when the standard process was nearing completion and it took about half a year. It was very difficult to solve this equation with many unknowns, but we successfully completed this very challenging task together with our Shell and CGG colleagues!

■ Interviewed by Marina Semitko

The Best LNG Plant

The Sakhalin-2 LNG plant was named the 2020 Asset of the Year in the Integrated Gas and New Energies nomination by Shell.

Worldwide Shell supported Integrated Gas upstream, LNG liquefaction, re-gasification and renewable energy assets took part in the annual rating.

The award is intended to recognise the companies' efforts in matter of safety, increasing the efficiency and reliability of production, and professional development. Particular attention was paid to the selection of the winners who ensured competitiveness in the difficult conditions of the oil and gas industry market in 2020.

According to the Head of the Prigorodnoye production complex, Alexander Singurov, the award proves that the

continuous improvement programmes applied at the asset bring good results. "We use the best practices of our shareholders and our experience in the development and implementation of projects to improve the reliability and technical integrity of production, which help us to move from a "response" mode in emergency situations to a "proactive" mode", – he added. – Despite the difficult year, LNG plant specialists demonstrated a high team spirit, well-coordinated interaction of disciplines at all levels of Sakhalin Energy and contractors, professionalism and efficiency in making difficult decisions, maintaining



a high level of safety culture," said the Head of the Prigorodnoye production complex.

Shell performs an annual KPI analysis of its integrated gas subsidiaries – producing and liquefaction assets, new energies and regasification terminals. It

is worth to note that in 2018 the Sakhalin LNG plant was already ranked first in this rating. The second award confirms that Sakhalin Energy remains one of the best companies in the global oil and gas industry.

■ Marina Moruga

Non-Standard Solutions – Excellent Result!

Sakhalin Energy has completed the planned overhaul and maintenance of one of its gas turbine generators at the onshore processing facility (OPF). This equipment supplies electric power to the OPF and the Lunskeye-A platform to ensure safe natural gas transmission from the offshore field, as well as reliable gas processing.

The Hitachi H-25 gas turbine unit was overhauled for the first time since its commissioning. To perform the job, original consumables and components were required for replacement. The list contains about 1,000 items, including bearings, combustion chambers, three-stage nozzle assemblies and the custom-made rotor. To deliver these spares from abroad in time, the asset began procurement process in October 2019.

Maintenance activities began on the asset in September 2020. In addition to replacing gas turbine unit elements, they included a high-voltage generator test, as well as control system upgrade that brings into action the entire gas turbine generator (GTG).

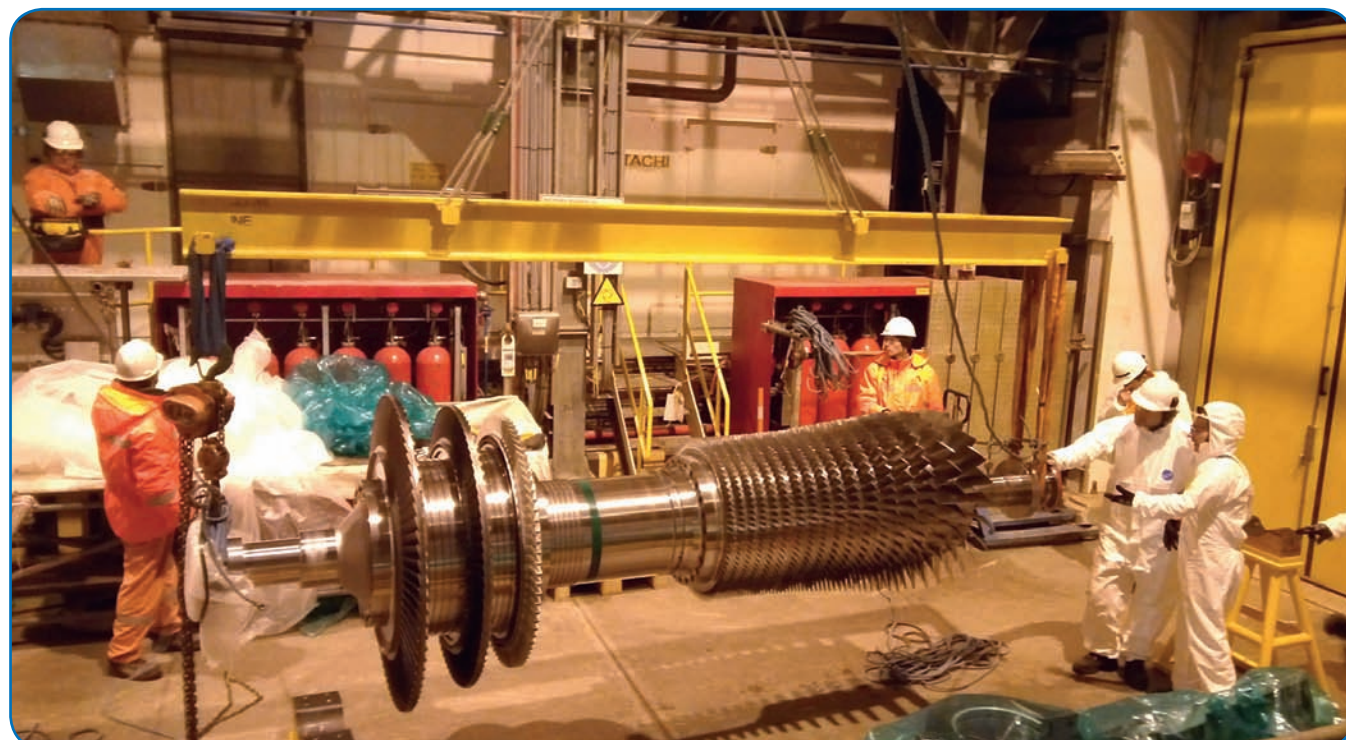
GTG is a complex equipment so to provide the reliability of work performed some activities could not be

done without mobilising key expatriate representatives of original equipment manufacturers, whose presence was mandatory. Facing the pandemic and entry restrictions imposed by the Russian government company logistics group explored and established special logistical arrangements to mobilise contractor representatives simultaneously. Prior to arriving at Sakhalin Energy's virus-free asset, all the participants had to undergo mandatory 14-day self-isolation to rule out COVID-19 spread.

This year, some of work was performed with direct virtual participation of some OEM representatives. Using a real-time video connection, they were able to evaluate the progress and give advice to Sakhalin Energy specialists. Prior to this, the company established high-speed



Disassembly of the turbine: the support ring of the first nozzle apparatus is removed



Turbine rotor assembly

Wi-Fi coverage throughout the work area to ensure that video helmets and field tablet computers would function properly.

Thanks to these efforts, the project was successfully completed with minimal expatriate presence (only 10 people). Overall, 36 specialists were involved in these activities, including contractor representatives. Facing strict limitations and global challenges, company managed to complete all the work elements safely, with good quality and meeting the schedule.

According to Denis Lutsev, Sakhalin Energy's On-shore Assets Manager, what has been done is extremely important, and not just from the point of view of production reliability along the entire Sakhalin-2 oil and gas production chain. "Even at the end of July, in the conditions of increasing external restrictions and risks, it seemed that in order to hold it, some miracle was needed. We took it on as a big team. The miracle happened, and it has a name-teamwork, commitment to results and professionalism inherent in our employees", added Denis Lutsev.

■ Marina Semitko

“Efforts to manage carbon footprint must not obscure the need to power the world”

The 2020 pandemic year has forced oil and gas companies the world over to change their plans, while the environmental agenda has raised the issue of the feasibility of producing certain types of hydrocarbons. Cederic Cremers, Country Chair Russia, Shell told Interfax in an interview about how these factors have affected Shell's projects in Russia.



– Sakhalin-2 is Shell's largest and best-known project in Russia. The LNG market has been oversupplied for two years now. How can this impact the Train 3 project? Do you think the project would require additional cost reduction or it would be competitive even in the low-price environment? Do you believe that by the time when the project starts up the prices would recover? Do you think you might have to postpone the project even further?

– We continue to believe that expansion of the existing LNG plant in Prigorodnoye is the most logical and efficient way of further growing Russia's LNG capacity in the Far East.

Our ambition to expand Sakhalin-2 remains unchanged. Such projects have a lifetime of decades, so they are less dependent on the current economic situation and cyclicity of demand.

But of course our industry and the world around us continues to move and change, and any project we do needs to be competitive in this changing industry. So for any project, including expansion of Sakhalin-2 we will always need to ensure it is very competitive globally, not only on cost, but also on elements like carbon footprint, which is becoming an increasing differentiator for our customers.

– What is the status of negotiations on the resource base for Sakhalin-2, in particular from Sakhalin-3? Have the negotiations been challenged by sanctions? Did Sakhalin-1 shareholders express an interest in resuming negotiations on feed gas supply to Sakhalin-2?

– We are in the process of negotiations for feed gas supply from Sakhalin-3. As for Sakhalin-1, we are currently not negotiating gas supply from this project, but we are open for re-starting such negotiations.

When is the next review of Sakhalin-2 contracts? What kind of changes are you expecting – increased share of spot supplies, change of price indexes and contract duration?

– In terms of LNG sales contracts, Sakhalin Energy completed LNG price reviews only last year, so we do not expect new reviews in the mid-term.

– A few LNG projects between Shell and Gazprom have been put on hold – Baltic LNG and Sakhalin 2

LNG Train 3. Are you looking to enter other LNG projects in Russia, including those of independent producers, for example with YATEK, as they are now studying an opportunity of an LNG development in the Russian Far East?

– The combination of Shell's strength in the LNG market and strength of Russia in the gas market remains something we are very interested in. We are open to different opportunities in Russia whether within our existing or new partnerships. I cannot be more specific at this point.

– Expert calculations show that carbon footprint from LNG is even higher than from pipeline gas. How could this increase costs of LNG developments? Do you have technologies to tackle this footprint and are you looking to apply them in your Russian projects?

The most important starting point is that gas, be it pipeline or LNG, emits between 45% and 55% lower greenhouse gas emissions than coal when used to generate electricity, according to the International Energy Agency data. So gas is critical in the energy transition for different countries to not only reduce greenhouse gas emissions, but also improve air quality. For some markets, pipeline can be the most efficient way to deliver gas, for others LNG is more optimal and for some a combination.

But in addition, the important thing is that the industry, and we at Shell, are working to reduce the greenhouse gas emissions of the whole chain, to reduce our impact on the environment and help mitigate climate change. This includes mitigation of methane emissions, and also technologies such as carbon capture and storage and CO₂ reinjection. Both were successfully applied, for example, at the Gorgon project in Australia, where Shell is a participant. Also, please let me remind you that the use of CCS is essential to achieving the aim of the Paris Agreement on climate change to limit the global temperature rise to 1.5 degrees Celsius, according to Intergovernmental Panel on Climate Change.

– Now that Shell plans to decrease the share of hydrocarbons in its portfolio in the future, are you still interested in oil projects in Russia? Is there a future for the oil industry on the back of some technologies, given then climate agenda?

– If we look at the question of investing in hydrocarbons in Russia – and elsewhere – through the lens of Energy Transition, we should always keep in mind that there are still 1 billion people in the world today without regular access to power and the benefits it brings. Thus, it is important to manage the carbon footprint, but also to meet the growing needs of the whole world. This is a huge challenge. In order to meet that challenge, many different things will have to happen. I hope that we will be seeing a bigger role of new technologies that will come into the energy mix more and more in addition to oil and gas.

So my short answer is 'yes'. As we work to help speed up progress through different new energies to a

lower-carbon future, we still continue to invest in oil and gas, especially gas together with development of renewables in our portfolio, but also oil where we believe it will continue to be competitive in the global market, both economically and environmentally, in the decades to come.

– The Russian government recently suggested tax amendments for some oil projects. Can this affect your Russian projects? Are you developing any proposals? Are you considering transition to Tax on Additional Income for some of your fields? What other changes in the taxation could increase foreign investments in Russia in your opinion?

– We are studying the draft laws and their impact to our business

– To what extent did your investment plans in Russia change following the OPEC+ deal and the Covid-19 pandemic? Did you have to postpone any projects?

– We had to review our global spend following the pandemic and the challenging economic environment. As we already announced in the 1st half of the year, our OPEX will be reduced by \$3-4 billion this year compared to 2019. Our CAPEX will be reduced from \$25 to \$20 billion, which is about 20%.

Our OPEX reduction covers all regions of Shell's presence, including Russia. In terms of CAPEX, we had to slash drilling spending in all our joint projects in Russia. For example, SPD rephased capital and project activities but have continued to deliver the 'Southern Hub' Extension at the Salym group of fields. Some drilling and infrastructure activities will now be moved into 2021. The OPEC+ deal did have an impact on production in our JVs. Regrettably, we also had to suspend some new projects in Russia due to the challenging external environment, one of them was our planned MNG venture with Gazprom Neft.

– Can you give a high-level description of your 2021 business plan?

– Russia will definitely remain a country of strategic importance for Shell and we will continue to develop our projects both in upstream and downstream.

In addition to our two core projects, Sakhalin-2 and SPD, this year we are looking to close a deal with Gazprom Neft on a joint development of two licenses in Gydan and commence exploration and operating activities next year.

As for downstream... You may have seen the news about potential expansion of our lubricants blending plant in Torzhok. We think that this plant with 200 mln litres of production capacity is very successful – it provides majority of Shell lubricants supplies in the Russian market and creates 100 jobs for residents of the Tver region. Considering this positive experience and our fruitful cooperation with the Government of the Tver region, we are considering the opportunity to expand the plant. I hope that will confirm and commence this expansion in 2021.

We will also continue to grow our retail network in Russia. Last year, we had a record, as we opened 60 sites in Russia. In the end of September 2020, we had 376 Shell sites in Russia and we plan to go over 400 till the end of the year. For Shell, Russia is one of the key growth regions in the retail business. We remain optimistic about the Russian market and plan to grow cooperation with our Russian dealers in 2021.

■ Interfax Group Source (full version of the interview): interfax.ru/interview/735739

Trophies of the Passing Year

awards

JANUARY

The Piltun-Astokhskoye-B (PA-B) platform team was named Shell's Rig of the Year for the third year in a row. The ranking is done according to such criteria as HSE performance, operational excellence, and staff competency. PA-B topped a list of about a hundred competitors – drilling rigs operating around the world.

FEBRUARY

The company was announced the winner of the 'Leaders of Russian Business: Dynamics, Responsibility, Sustainability 2019' contest held by the Russian Union of Industrialists and Entrepreneurs, in the 'For High Quality of Sustainable Development Reporting' category. Sakhalin Energy regards open sustainability reporting to be an essential tool for maintaining long-term trusting relationships with its stakeholders.

MARCH

The company's corporate video titled 'Multiplying Opportunities' was announced a finalist in the 'Image Films' category of the 2020 Best Corporate Media contest held by the Russian Association of Communication Directors and Corporate Publishing. The main purpose of the video is not only to tell the audience about the company and its specialists but also about Sakhalin Island, where they live and work.

MAY

Sakhalin Energy won two awards in the 2020 Best Corporate Media contest held by the Russian Association of Communication Directors and Corporate Publishing. The company presented the 'Water Safety Is Important' project in the 'Effective Tool for Building a Corporate Culture' category. The topic is especially relevant for the island region: the project is focused on children spending their vacations in summer camps located in the countryside with an abundance of rivers and lakes. Russia's first 3D publication on the oil and gas industry became the winner in another category, 'The Best Corporate Book'.

JULY

Sakhalin Energy social and environmental projects were included in the first Voluntary National Review of the country's progress in the implementation of the 2030 Agenda for Sustainable Development. This document was presented by Maxim Reshetnikov, Minister of Economic Development of the Russian Federation, at the United Nations High-Level Political Forum on Sustainable Development in New York.

AUGUST

Sakhalin Energy was recognised as one of the leaders in the 2020 Social Efficiency Ranking of Major Russian Companies, becoming the best one in the oil and gas sector. The annual AK&M rating identifies companies that bring maximum benefit to society with minimum impact on the environment. This high ranking is proof that Sakhalin Energy strictly adheres to the main principle of its activities: efficient hydrocarbon production with due respect for environmental safety and social responsibility in business.

Sakhalin Energy won in three categories of the RF Ministry of Energy contest for the best socially oriented company in the oil and gas industry in 2020: 'Development of

Labour and Personal Potential of Employees', 'Charitable Activities of Organisation', and 'The Best Public Non-Financial Report of Oil and Gas Company with up to 4,000 Employees'.

SEPTEMBER

Sakhalin Energy was announced the winner in two categories of KonTEKst, the All-Russian PR Projects Contest held with the support of the Russian Ministry of Energy. The 'Youth, Come #to the Far East! project won among the initiatives aimed at developing human resources in the region. To attract talented youth, the company has maintained long-standing collaboration with the RF leading oil and gas universities and colleges. At the same time, Sakhalin Energy continues to implement a strategy which offers a maximum number of vacancies to be filled by Sakhalin graduates.

The communication campaign that was realized on the occasion of the 25th anniversary of the Sakhalin-2 Project was recognized as the best PR-project. The events that Sakhalin Energy prepared for the residents of the Sakhalin region to mark its anniversary included the prestigious Russian theatrical event, the Golden Mask Festival, and the 'Fairy Tales in Russian Art' exhibition, with paintings from the collection of the State Russian Museum. Two other company projects, 'The Experience of Digital Development' and 'Development of the Linguistic Heritage of Sakhalin Indigenous Minorities', were awarded second class diplomas.

Sakhalin Energy was awarded A1 Class in the first anti-corruption rating of Russian business compiled by the Russian Union of Industrialists and Entrepreneurs. This is the top grade a business can earn in terms of anti-bribery and anti-corruption and corporate business ethics.

Roman Dashkov, Sakhalin Energy Chief Executive Officer, was awarded the 'For Loyalty to the North' medal by the Russian Association of Indigenous Peoples of the North, Siberia and Far East (RAIPON).

The booth of the Sakhalin Oblast received the Grand Prix in 'The Best Regional Presentation' category of the 'Treasures of the North: Craftsmen and Artists of Russia 2020' International Exhibition-Fair. The



'Sakhalin: the Island of Traditions' exhibition booth was presented as a ke-raf, a Nivkh summer dwelling. When designing the booth, special attention was paid to the careful attitude of indigenous ethnic groups to the cultural heritage handed down by their ancestors, which is expressed in the original ornaments, traditional clothes, and household items. The exhibition booth was arranged with the active participation of Sakhalin Energy.

OCTOBER

The 'Russian LNG: History and Development' booth was recognised to be the best presentation at the Sakhalin Oil and Gas 2020 International Conference. Valery Li-

mareenko, Sakhalin Oblast Governor, presented an honorary diploma to Roman Dashkov, Sakhalin Energy Chief Executive Officer.

Having achieved a labour productivity indicator of 182.03 million roubles/person per year, the company topped the main category of the 'Labour Productivity: Russian Industry Leaders 2020' All-Russian award. Sakhalin Energy leads the TOP-100 major enterprises in the country's key industries. When selecting leaders from among the participants in the ranking, the organisers studied data on more than 5,000 Russian industrial enterprises. With its consistently high indicators, Sakhalin Energy has led the ranking for four years in a row.

Sakhalin Energy won the 'Change Management: Visionaries' Award. The company's Sustainable Development Report was recognized as the leader in the 'Best UN SDG Strategy and Performance Demonstration' category. This is the first Russian professional award for corporate sustainable development performance based on economic, social, and environmental criteria.

NOVEMBER

The company's corporate video titled 'Multiplying Opportunities' was awarded a silver medal at the 11th Annual Corporate Contest among Public Relations Services of Gazprom Group subsidiaries and organisations. It was recognised as one of the top videos in the 'Best Corporate Film' category.

■ Prepared by Marina Semitko



Shot from the video 'Multiplying Opportunities'

The 2020 Mood

Trying to describe the mood of the past year in one word is like trying to calculate the average patient temperature in a hospital. We celebrated the New Year and went back to work, developed and implemented plans. COVID-19 and the hydrocarbons market crash raised the temperature to a critical 40 degrees and plunged us into a new reality. Thanks to some out-of-the-box solutions, we have managed to break the fever. And most importantly, Sakhalin Energy was able to stand its ground and fight back against COVID-19 with team efforts.

PERSON OF THE YEAR

Today in this section, rather than a particular person, we would like to highlight the group of company managers who are members of the General Coordinating Committee headed by Roman Dashkov, Chief Executive Officer. During the high-alert regime, the Committee acts as the company's "brain", ensuring its uninterrupted operation throughout the pandemic. Owing to the detailed analysis, meticulous planning, and tight control by its Secretariat, along with the utter professionalism of employees of three headquarters, the company is able to tackle, in the new reality, extremely complex tasks in the shortest time possible.

DECISION OF THE YEAR



In response to the pandemic, Sakhalin Energy made the decision to arrange for specially equipped areas for self-isolation of Sakhalin-2 project. In several weeks, the company's specialists were not only able to prepare nine temporary

accommodation facilities (TAFs) and two isolation units, but also to organise medical observation and testing there. That was a challenging task: it was necessary to find suitable buildings, get approvals from government bodies, develop anti-epidemic measures and procedures for the safe movement of each employee, ensure effective protection, an uninterrupted supply of materials, and coordination of all services at the site. TAFs are provided with everything needed to live there for two weeks before the start of a shift.

PIT STOP OF THE YEAR



This summer, Sakhalin Energy implemented a large-scale shutdown of the gas production chain; the shutdown was the most extensive one in the history of the company. Despite the high-alert state, our specialists

carried out maintenance and repair work on the Lunskeye-A platform, the Onshore Processing Facility, Booster Station No. 2, and the LNG plant. In the conditions of the COVID-19 pandemic, these tasks posed serious challenges for all units of the company, but we were able to pull them off. The key to success was the great teamwork of professionals at production facilities and those who promptly supported them in engineering services, logistics, procurement, and other areas of the comprehensive work.

LICENSE OF THE YEAR

Sakhalin Energy has renewed the development licenses for the Piltun-Astokhskoye and Lunskeye fields in the Okhotsk sea, which were issued to the company in May 1996 for an initial period of 25 years. The effective term of permits for the right to use subsurface resources has been prolonged by five years, until 19 May 2026. Renewal of the licenses is an important milestone of the Sakhalin-2 project, illustrating the willingness of the Russian Party to facilitate its further efficient implementation.

DIGITAL ACHIEVEMENT OF THE YEAR



Sakhalin Energy became one of the first companies in Russia to implement a large-scale introduction of digital twins of workplaces. These are explosion-proof helmets for remote support and can be used in produc-

tion areas. These systems offer immense possibilities: they allow us to carry out technical procedures with simultaneous online involvement of engineers and subject matter experts from all over the world, right during repair operations, and to provide support via videoconference. Along with the smart helmets, the company has tested tablets as another key element of the remote support system, to facilitate the LNG

plant business processes. Currently, the company is looking into the possibility of using technical innovations at other assets, too.

SKY OF THE YEAR



The Sakhalin Energy air fleet welcomed three twin-engined helicopters AW189. Amidst the COVID-19 pandemic and the associated restrictions, the logistics were completed on schedule with all safety measures observed. To achieve this, the helicopter manufacturer, Leonardo S.p.A., an Italian company, and Sakhalin Energy developed a remote aircraft acceptance method. The use of the new model, equipped with the latest internationally sanctioned passenger safety features, confirms the company's intention to follow the best standards for the strategic development of aviation services for the Sakhalin-2 project.

CONFERENCE OF THE YEAR



The Sakhalin Oil and Gas Conference has evolved from an industry-specific event into a platform for comprehensive discussions about the energy sector, negotiations, and conclusion of agreements for a qualitative leap into the future. The Conference's scientific component was strengthened by the inclusion of new topics and the participation of experts from the Russian Academy of Sciences together with its President Alexander Sergeev. Sakhalin Energy representatives contributed to discussions on every topic listed in the Conference agenda. In particular, they provided an answer to the traditional Russian question: "What is to be done?". "Today we are not able to forecast all new challenges, but we can develop a universal toolkit that would allow us to cope with a most difficult situation even in the current conditions," said Roman Dashkov, Sakhalin Energy Chief Executive Officer, in his speech.

AID OF THE YEAR



The company and Sakhalin-2 project shareholders have supported a comprehensive programme aimed to aid the regional medical system during the challenging epidemiological situation. In cooperation with the Ministry of Health of the Sakhalin Oblast, a list of necessary equipment for fighting the coronavirus was compiled, and the company donated over 32 million RUB for its purchase. A batch of 40 mobile oxygen concentrators was delivered to the regional hospital (to be distributed among healthcare facilities in Kosrakov and Yuzhno-Sakhalinsk). The Ankudinov City Hospital received a thermocycler and rapid test kits for immunoglobulin detection. The company also transferred funds to the Korsakov District Hospital for the purchase of additional equipment and consumables. An oxygen supply system is to be delivered to Nogliki District Hospital at the end of the year.

MEMORY OF THE YEAR



In the first issue of Vesti this year, we proposed a new section dedicated to the 75th anniversary of the Victory in the Great Patriotic War. In this anniversary year, company employees were sharing an "endless story" of those long-gone days — memories of their family members and bits and pieces they were able to find out through studying Information about the Great Patriotic War. We learned poignant stories of "bravery, heroic acts, and glory..." and proved that memory does not die.

PUBLICATION OF THE YEAR



Culture in its broadest sense became the main topic of the 2019 Sustainable Development Report. The report placed particular emphasis on the culture of safe production. The life and health of people remain the utmost priority: for a quarter of a century now, Sakhalin Energy has been successfully developing safety culture, not only in its

staff but also among the island's residents. This year's report had a special layout, as its divider pages feature reproductions of twelve paintings by famous Sakhalin artists.

TOURNAMENT OF THE YEAR



The Ready for Labour and Production (RLP) sports tournament was held at the Prigorodnoye production complex. Under normal conditions, it would have been just another event, but under the current circumstances, it became an example of the fight against the pandemic. It was a sort of cure for the blues, a boost for the entire duration of

the shift. "It was an amazing experience," said Victor Usov, coach. "At the beginning of the tournament, we were afraid that many participants would drop out long before the finals, but with each day, the contestants became more and more enthusiastic and encouraged each other, trying to surpass both their opponents and themselves."

VICTORY OF THE YEAR



The Sakhalin Energy hockey team won the Sakhalin Oblast Small Cup of the League of Hope 18+ at the 9th All-Russian Amateur Hockey Festival. This is the first major victory for the team that was established in 2014. In the course of

the tournament, our colleagues played 16 games and scored 81 goals. During the season the team accumulated a significant point margin, and this allowed it to become champions a week before the final.

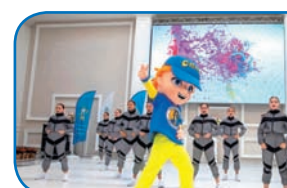
FAIRY TALE OF THE YEAR



On the Fairy Tale Day, Sakhalin Energy launched 'Coronatales', a new corporate contest. Participants submitted a great variety of works in two categories: "Best Drawing" and "Best Story". The 'Coronatales' were written and illustrated by employees of our company, HR agencies, and contracting organisations, along with their children. The awards ceremony was hosted online. Speakers at the ceremony included company organisers as well as invitees: Anastasia Makarenko (journalist, blogger, storyteller, and Communications Manager at Pro Helvetia Moscow — Swiss Arts Council) and Pavel Shugurov (a famous Far Eastern artist, Candidate of Sciences, and art expert from Vladivostok).

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ANNIVERSARY OF THE YEAR



Fifteen years ago Sakhalin welcomed Senya, the main character of Safety Is Important!, a joint programme of Sakhalin Energy, the Chief Directorate of MChS of Russia for the Sakhalin

Oblast, and the regional Ministry of Education. This bright-eyed child is the key figure of safety-themed comics, videos, and other materials for children. A special arts competition was organised to celebrate the birthday of the popular character. Sakhalin residents of all ages — from children under six to adults over 50 — took part in the competition to congratulate Senya.

WISH OF THE YEAR

We wish you all to stay safe and healthy in the upcoming year, 2021!

The Pandemic Is Not an Obstacle to Development

The year 2020 can be rightfully called a successful one in terms of the development of Russian Content in the Sakhalin-2 project. The impressive list of completed projects is the best proof of this.

The approval of the new Russian Content Development Strategy for 2019–2023 by the Supervisory Board in July 2020 was the key event of the year. The strategy covers 33 areas for attracting domestic enterprises and increasing the share of Russian Content (RC) in the project. There are a number of key tools available to implement the strategy: harmonisation of standards, the creation of the Sakhalin Energy Production and Maintenance Facility in the Sakhalin Industrial Park, the Vendor Development Programme, and raising awareness among personnel about the company's obligations in the field of RC development.

PRODUCTION DIRECTORATE

The Directorate has developed, obtained approvals for and is currently implementing a detailed plan to engage Promsystems in the maintenance of the gas turbine equipment made by Mitsubishi Hitachi Power Systems and other manufacturers, as well as the instrumentation and electrical equipment at Sakhalin Energy facilities. In the autumn of 2020, Promsystems engineering and technical specialists took part in the scheduled maintenance of a power generator manufactured by Brush and a gas turbine unit manufactured by Hitachi H-25 at the OPF.

Specialists of PetroGazTech Shelf-Service successfully identified “washouts” and stabilised offshore pipelines using hydrographic equipment and navigation aids from the Evgeny Primakov icebreaking vessel.

In January 2020, specialists of INTRA Services Company received training at the STATS (UK) LTD production facility in Scotland. In 2021, INTRA is expected to carry out the insulation, maintenance, pressure testing, tie-in and isolation of the pipelines at Sakhalin Energy facilities.

Our company purchased a coupling from INTRA to repair a defect at the 73rd kilometre of the OPF – OET main oil pipeline. INTRA specialists successfully tested and installed the equipment at the facility. There are also plans to purchase repair couplings of other standard sizes.

Another project under implementation is the transfer of the contract for engineering support and design services, as well as relevant competencies from Production Services Network Sakhalin (PSNS), a foreign design company, to Gazproektengineering (GPE), a Russian design institute. Currently, the implementation of IT infrastructure is underway. The next step will be to develop and implement management and information management systems.

The second stage of work with Gazproektengineering (GPE) to select Russian analogues of shut-off and control valves for Sakhalin Energy onshore facilities is drawing to an end. An assessment of the relevant Russian manufacturers has been carried out and a list of approved deviations from foreign standards has been prepared. Sakhalin Energy's harmonised technical requirements for the design and testing of shut-off and control valves are at the approval stage.

The Production Directorate concluded service contracts with Russian companies for maintenance and repair: a contract with Electromashina for the overhaul of a standby emergency high voltage generator manufactured by Newage AVK, and a contract with KTT Servis for the maintenance of the Calortec boiler.

In 2020, specialists of Tekhnologii i Katalizatory (TiK) replaced the adsorbent at the mercury removal unit at the LNG Plant. It was the first time in the history of Sakhalin Energy that this task was accomplished by a Russian company. Another contract was signed with the same company to replace molecular sieves and demercuriser fillers.

A 10-year contract for the supply of marine lubricating oils was concluded with Trans Vostok Logistika. A 5-year contract was signed with Hydropoint, a Sakhalin company, for the supply of high-pressure hoses. The contract under the project for replacing test stands for shut-off and control valves at the LNG Plant was awarded to PKTBA.

From Flagman, a Russian manufacturer, Sakhalin Energy purchased 15 thermal expansion joints for the gas turbine units of the LNG Plant and thermal insulating covers for the pump diesel engine of the plant's main fire-fight-

ing system. The company plans to make a gradual transition to the use of Russian-made thermal expansion joints.

A batch of filters manufactured by Masvent was purchased and installed in supply ventilation units on the Molikpaq platform.

A memorandum of understanding was signed with NIPOM for the field testing of modular packaged power units at the shut-off and control valves of Sakhalin Energy's onshore pipelines.

Testing of power generation units for block valve stations was successfully completed at Evogress. Field tests at two block valve stations of Sakhalin Energy onshore pipelines have been scheduled for 2021.

Pilot operation of flame detectors and gas analysers manufactured by Spetspozhengineering (SPE) was successfully completed at BS2 as part of instrumentation and automation equipment localisation and import substitution. SPE equipment will replace the outdated Det-Tronics equipment at all company facilities.



Testing of paints and varnishes manufactured by Hempel (Russia) is planned to be completed at Sakhalin Energy facilities. Based on the test results, a decision will be made to purchase localized products.

A roadmap for testing lubricant samples produced by Gazpromneft-SM was developed as part of the project to replace foreign-made base oils with Russian ones. Several types of products are being tested at the LNG plant.

TECHNICAL DIRECTORATE

The field testing of TMK pipe products with premium TMK 9 5/8" Steel Grade L80 UPPF connections in Well PA-124 and Well PA-133 was successfully completed in September 2020. The international certification of TMK premium connections for 7" and 13 3/8" casing pipes will be completed in 2021.

Within the framework of the current contract for the provision of drilling waste disposal services, AKROS specialists completed a number of exploration operations for geological modelling of the drilling waste disposal process. Together with Sakhalin Energy specialists, AKROS is implementing a pilot project for the geological monitoring of drilling waste disposal.

In Q1 of 2020, field testing of sixty 5 7/8" non-rotating protectors for drill pipes manufactured by AGD was completed at Well LA-524. In 2021, it is planned to conduct the final phase of field testing of two hundred 5 7/8" protectors and one hundred 6 5/8" protectors at Well PB-353.

Together with Schlumberger-Vostok, the Directorate conducted tests to replace imported downhole drilling motors with Russian ones. The launch of Russian motors into operation is scheduled for early 2021.

In order to develop Russian engineering companies, it was agreed to engage Morneftegazproekt, a Russian engineering company, in the development and support of Sakhalin-2 offshore oil and gas field development projects.

The workover of Well PA-108 was carried out with the participation of specialists from Burovaya Tekhnika, an engineering company, who not only developed design documentation subject to Russian technical standards, but also provided engineering and technical support.

As part of the development of Russian oilfield service contractors, roadmaps were developed for AKROS (drilling muds services) and GeoTime (geotechnical studies). Currently, a roadmap is being drawn up for Art-Osnastka (casing equipment).

A contract for the construction of 3D models of Sakhalin-2 project fields using Russian software was signed with Gazprom Nedra.

Agreements of intent were signed with Geopromalians and Kogalymneftgeofizika in an effort to ensure import substitution in the field of geotechnical studies.

SAKHALIN INDUSTRIAL PARK

On the sidelines of the International Sakhalin Oil and Gas Conference, 13 service companies signed agreements of intent to become residents of the Sakhalin Industrial Park. Twelve of them are Russian companies, namely: AKROS, Promsystems, PetroGazTech Shelf-Service, Kriljon-Service, Gazproektengineering, Technoavia-Sakhalin, Geo-

Split, Sakhalin-Shelf-Service, Island General Services, Yokogawa Electric Sakhalin, KENTECH Sakhalin Technical Services, and Kuehne+Nagell Sakhalin (the thirteenth company is Air Liquide).

Outside the conference, agreements were signed with the Intra Service Company and the branch of Fircroft Engineering Services Limited (Great Britain) in Yuzhno-Sakhalinsk.

HSES DEPARTMENT

Thanks to the joint work of specialists from the HSES Department and the Supply Chain Management Department, three five-year contracts for the purchase of PPE were concluded with Russian companies (for more details, see page 20).

INITIATIVES OF THE RUSSIAN CONTENT TEAM

In 2020, an assessment initiative on the quality of feasibility studies of Russian Content in bids submitted to the tender boards was implemented in test mode. Work was launched to develop a pilot testing procedure for Russian equipment and materials. In addition, a database comprising technical solutions developed for individual projects according to Russian standards was prepared for further replication of successful localised solutions at all company production facilities. An immense amount of work was done to promote RC at various levels.

In conclusion, it is worth pointing out that Sakhalin Energy employees have shown excellent professional qualities in their work throughout the year. They did so despite the difficult pandemic situation which forced the company to transfer part of its personnel to remote work and extend rotational shifts. This excellent performance is the result of synergy between employees of the Technical and Production Directorates and the Supply Chain Management Department. This is our common victory!

■ The page is prepared by specialists of the RC Development Team, Technical and the Production Directorates

departments

Chasing the Bluebird

Employees of the Industrial Safety Division can be called the fighters of the invisible front. Assessing what has not yet happened and measuring the effort that has been put into preventing an industrial emergency is a real challenge. Let us try to address it with the help of Sergey Kovalenko, Deputy Head of the Department – Head of Industrial Safety Division, and Gleb Vnukov, Head of the Industrial Control Subdivision.

NONLINEAR CONTROL

Mathematicians know that even a simple linear equation sometimes requires a complex solution. The same applies to our division: we should always take into account those constants and variables on which the safety of personnel, the environment or production depends.



Gleb Vnukov, Sergey Kovalenko

We are responsible for hazardous production facilities. To operate them, we must comply with federal law on industrial safety and a number of other regulatory requirements. The company has obtained a special license for all types of its production activities. Its facilities are registered, insured and staffed with trained and certified personnel. We can draw an analogy with a car: a law-abiding driver will never drive if he does not have a registration certificate, driver's license and insurance, and if the vehicle has not been serviced. We make sure that everything is in order and maintain the facilities throughout the entire life cycle: design and construction, operation and upgrading, decommissioning.

All processes at our facilities are regulated. For example, Sakhalin Energy has five levels of industrial control over compliance with operational safety requirements. Employees of our subdivision exercise control at the fifth level, but they are also involved at almost all other levels. We have certain markers to dynamically track the situation at each facility and in the company as a whole. Governmental bodies of the Russian Federation regularly inspect us and provide an independent industrial safety assessment at all company production facilities company. Our mission is to create a safe environment at Sakhalin Energy's hazardous production facilities and to protect people from accidents. Speaking in lofty terms, we stand guard over the company's industrial safety.

CATCHPHRASE* DURING THE PANDEMIC

Motivated people are looking for opportunities; unmotivated people are looking for excuses. This phrase has become popular in Russia during the pandemic. Like a key, it opens the door to a new reality or, rather, virtual reality. Our division is no exception: we tried to rearrange our work as much as possible and managed to find new opportunities to improve the seemingly well-established processes.

First of all, this applies to changes in the system of inspections at the company's facilities. We had implemented some of these changes as scheduled, even before the epidemiological situation worsened. Other changes had to be made remotely. By the way, Rostekhnadzor introduced the same practice in early summer of 2020, so we did not have to reinvent the wheel. It is hard to say whether our division will return to the traditional way of inspecting in the near future. But it is clear now that we have learned valuable lessons and will be able to apply them where necessary.

Certainly, the industrial safety certification process for managers and specialists at remote production facilities has changed for the better. Here, the transition to a remote format helped to solve a number of problems. Imagine how this process went before, for example, on an offshore platform. You need to send out an employee and find accommodation for them. This is not an easy task at all. You need to set up a commission with three employees from a facility. All of them, as well as the person to be certified, are engaged at their workplaces. This means that they have to take time out in the morning or in the evening. This situation is not very convenient for all persons involved in the process. We had started the transition to remote working a long time ago, but the COVID-19 pandemic forced us to address this issue urgently. The certification process covers 24 areas. In order to control and legitimately conduct the exams, industrial safety management specialists themselves must be knowledgeable and authorised to conduct an assessment. Therefore, we had to make thorough preparations in a relatively short time frame and pass certification by the Rostekhnadzor commission.

The process is different now: five days before the inspection, we register employees on the Unified State Testing Portal (the official portal of Rostekhnadzor for certification of industrial safety specialists in the RF). Employees can open a programme and go through the entire cycle, from registration to taking a test, at a time convenient to them, without disrupting the production process. When taking a test, an employee is monitored remotely (via video cameras) by the commission, which includes division representatives, and by one facility representative in person. Employees to be certified have to answer 20 questions in 20 minutes with only two mistakes allowed; otherwise they will have to retake the test. The remote certification has removed a burden from the personnel of distant facilities. Moreover, representatives of the division do not need to visit these facilities anymore.

TURNKEY WEBSITE

In keeping with the company's digital transformation trend, we have created a website for our department this year. The entire department has been working on it for almost four months. We tried to take into account all issues and exclude mistakes.

To avoid duplicated content, we have developed the most simultaneously convenient and meaningful interface. Together with IT engineers, we reviewed the web pages of all company departments in detail. Of course, the first thing we did was to actively work with production employees, clarify what content they wanted to see on the website, what documents, useful links and materials should be available. We strove to make this resource a useful tool and a right-hand helper, primarily for employees at all remote company facilities.

There is a feedback option available. Any user can make suggestions and pose a question to specialists and managers of the department. The website has been working for five months and has proved that our efforts are not in vain: facility employees regularly leave their suggestions. Of course, we constantly update the content, but these suggestions are a great help to us: they give us confidence that the industrial safety competences of company employees are in line with realities and laws.

In addition, we have posted all possible templates of basic documents (orders, records, instructions, about 100 different forms in total) and reports so that the production facilities can save time on preparing documents. The Head of the Department set a clear task for us: to make this resource popular and highly trafficked. Now we all see that the task has been completed.

P. S. Bluebird of Happiness

Happy New Year to all company employees and our contractors! Let us wish ourselves interesting and safe work at our facilities. Let each of us have a dream, and the ability and strength to realise it! Of course, it is not easy to catch the Bluebird of Happiness, but our life would be dull if we did not desire and strive to make our dream come true. So, let us enter the upcoming year 2021 together, chasing the Bluebird of Happiness! Without accidents and incidents!

* A catchphrase is a peculiar phrase which is often uttered by a certain character and which becomes his/her calling card.

Interview by Elena Gurshal

continuous improvement

Lean Success

The Technical Directorate has summarised the results of the second round and decided the best projects of the year under the Internal Business Process Optimisation Programme. The goal of the programme is to promote lean production culture and reward employees for implementing relevant initiatives.



Three out of the 18 projects of the second assessment round proceeded to the finals:

- A joint initiative with the Finance Directorate aimed at cutting the Technical Directorate's contract expenses (under the corporate Sustainability 2020 programme). In view of the unprecedented market crisis, the project participants put in a great deal of effort to optimise costs on drilling contracts, which resulted in new contractual terms developed together with the contractors. These terms led to significant financial savings. Their efforts were commended by the Committee of Executive Directors – the project received the CED's Continuous Improvement Award in Q2 of 2020.

- The Optimised Process of Drilling New Well Sections Aimed at Improving the Efficiency of Offshore Well Construction and Overhaul, a joint initiative of the PE Development Department and the Well Design, Construction and Maintenance Department. The project members analysed the company's current drilling process, studied international experience carrying out similar operations and employing state-of-the-art drilling equipment and materials. The result of this work allowed them to identify stages that can be merged, provided that compensatory measures are implemented. This solution is reflected in the Hazardous Production Facilities Safety Justification, which passed an industrial safety expert review and was registered in Rostekhnadzor. This, in turn, enabled the implementation of the new process and, subsequently, resulted in considerable reduction of well construction expenses.

- The Development of HSE Competence Assessment Guidelines, an initiative of the HSE Subdivision of the Engineering and Technical Support Department, simplified the preparations for the Competence Assessment for employees regardless of their work site and professional duties. To fill the gaps in competencies, the project participants prepared the Guidelines using key HSE materials. As a result, the Assessment preparations now take significantly less time and their efficiency has increased compared to last year – most employees passed the Assessment on the first try. The Competence Assessment Guidelines have been transferred to the HSE Department for introduction in other company units.

At the end of the year, six winners of the first and second rounds competed for the title of the best project. Close to the finish line, the projects had an almost equal number of votes from the members of the Lean Production Committee of the Technical Directorate. In the end, four initiatives were chosen as the best projects of the year:

New Methods and Technologies of Troubleshooting Well Integrity Issues at Molikpaq (a joint effort with the Production Directorate);

New Training Format under the Dropped Objects Prevention Scheme (DROPS) Programme (the Engineering and Maintenance Department);

Initiative Aimed at Cutting the Technical Directorate's Contract Expenses (together with the Finance Directorate under the corporate Sustainability 2020 programme);

Optimised Process of Drilling New Well Sections Aimed at Increasing the Efficiency of Offshore Well Construction and Overhaul (the PE Development Department and the Well Design, Construction and Maintenance Department).

The management of the Technical Directorate congratulates the winners and expresses gratitude to all participants of the Internal Business Process Optimisation Programme for outstanding work results and great contributions to the corporate Continuous Improvement Programme!

Yulia Loskutova



Sow Care – Reap Recognition

This year, two of our colleagues – Konstantin Kokorin, Head of the Corporate Health Section, and Andrey Sharipov, Head of the HSE and Quality Assurance Subdivision – received honorary awards, given to employees for outstanding collective or individual achievements and significant contributions to Shell's operations in Russia, and awarded by Cederic Cremers, Shell Country Chair in Russia. Jane Alcock, HSES General Manager, tells us about this significant accomplishment in detail.

— I nominated my colleagues for participation in the CARE for People category, and the result came up to my expectations! Konstantin Kokorin received the award for the remarkable work he had done during the year, leading the Anti-COVID-19 control centre that developed and implemented measures to prevent the spread of the virus. The Corporate Health Section has proved to be a highly professional, well-coordinated team, working in the high alert regime, effective at Sakhalin Energy throughout the pandemic. They cope with arising difficulties quickly and professionally, take care of the health and keep up the vitality of the company staff, thus creating safe conditions for us to work in. The biggest success achieved by the Corporate Health Section this year was the prompt and successful arranging of Temporary Accommodation Facilities (TAF) for a two-week isolation of personnel before the rotational shift, along with the organisation of testing for COVID-19 for more than 7,000 people. This significantly reduced the risk of the virus spreading at our production facilities.

"I had not even expected to receive such an honourable award. Personally, I believe that it is recognition of the work of the entire control centre, as well as all its employees who participated in the response to the COVID-19 pandemic. This is exactly how I announced this achievement to my colleagues. This award is a symbol of our common concern for people. There can be no doubt about it," said Konstantin Kokorin.



Andrey Sharipov

potential hazards more effectively, this approach has contributed to, among other things, completing the 2020 scheduled shutdown without any registered injuries. The introduction of the training platform was another step towards achieving Goal Zero at the Prigorodnoye production complex. From the bottom of my heart, I congratulate my colleagues on the well-deserved awards.

Andrey Sharipov also shared his impressions: "The news about the award was a surprise to me. I had no idea that I had been nominated for the Country Chair Award for Russian Employees. This is the first such award in my career. My team and I were just doing our job in the field of labour safety, an integral part of which is taking care of people. I am happy to see that our joint efforts have been recognised at such a high level. For me, this award is an additional incentive to work towards our common goals!"

■ Marina Semitko

doctor's office

No Complications

On 30 November, Sakhalin Energy finished one of its most challenging flu vaccination campaigns.

PARAPHRASING THE WELL-KNOWN SAYING "FOREWARNED IS FOREARMED", WE CAN SAY: "VACCINATED IS PROTECTED!"

Paradoxically, COVID-19, the main cause of all our problems this year (the second wave of the virus coincided with the flu vaccination) played into the hands of healthcare providers, and even prompted many opponents of vaccination to reconsider their views.

"The unprecedented information campaign played a significant role in it. The staff were regularly sent messages about the benefits of vaccination; relevant news was posted on the company's Intranet and in the corporate newsletter; answers to frequently asked questions, thematic posters and a video were prepared and distributed among employees and contractors; convincing arguments were provided to refute the myths about the dangers of vaccination. In short, an immense amount of work was done," says Andrey Lee, Lead Specialist of the Corporate Health Section.

During the information campaign, Corporate Health Section specialists emphasised that both influenza and coronavirus often lead to complications. During the pandemic, this risk is much higher, since one virus can overlap with the other.

Mass vaccination against COVID-19 has not yet begun, so the best thing we can do in this situation is to protect ourselves from the side effects of the flu. After all, since there is the opportunity to cut the risk in half, why not take advantage of it?

We cannot but agree with this logical reasoning. In total, more than 1400 Sakha-

lin Energy employees and contractors were vaccinated from 10 October to 30 November. This is a good indicator given the extended rotational shifts of personnel at the remote facilities and the transition of many office employees to remote work.

CUTTING-EDGE MEDICAL CARE

Of course, this result would have been impossible without the contribution of the health sector, especially medical workers at the production facilities, as well as everyone else who is at the forefront of the struggle for our health.

"At first glance, it may seem that everything is simple: a person comes, gets an injection, and the medical worker's mission is over. In fact, however, medical station and clinic staff do a lot of work that many people simply are not aware of: they monitor the health of employees at the facilities, provide treatment to them and give them recommendations on how to prevent certain diseases. The decision whether to vaccinate a person against influenza is taken by doctors after a detailed analysis of the employee's condition. What if he or she already has the flu or is a host of ARVI? What if he or she is infected with coronavirus? Of course, no one will be vaccinated without considering all of the above," adds Andrey Lee.

At the same time, doctors point out that we should not limit ourselves only to specific preventive measures such as vaccination to protect our health – we should also take general measures.

WANT SOME TIPS? HERE YOU ARE!

Influenza and COVID-19 have similar transmission mechanisms, so the protec-



The whole family got vaccinated! LNG Marketing and Sales Manager Leonid Alexandrov with his wife Tatiana and children Yana and Kostya

tive measures applicable to the former are appropriate for the latter, and vice versa. To prevent coronavirus and flu, it is absolutely necessary to follow fairly simple hygiene rules: wash your hands as often as possible or use antiseptic gels, sprays or wet wipes, avoid touching your face with dirty hands. When in public places, use a medical face mask, keep a social distance of 1.5 metres, and minimise time spent in crowded places.

Regularly air the room you are staying in, but make sure that you do not catch a draught – working in a draught is not a good idea either. It is also recommended to clean all surfaces in the room with soap and water and humidify the air from time to time.

And, of course, doctors keep emphasising that today a healthy lifestyle is more important for all of us than ever, so we must get enough sleep, keep to a balanced diet and take regular exercise. After all, this is not only beneficial for our immune system, but also has a positive effect on our physique. So, there is no harm in heeding such advice.

■ Pavel Ryabchikov

corporate culture

Business Ethics as a Guideline

What are the factors that influence the company's reputation and corporate culture? First of all, it is the personnel – you and me, and our desire to conduct business honestly and conscientiously.



The company's 2020–2024 Journey Book has set the objectives of updating the Code of Conduct and enhancing the culture of business ethics and compliance. In order to achieve this, we have, among other things, released updated online training courses on business ethics.

The work was done with the participation of specialists from the Finance Directorate, the Corporate Affairs Department and the Legal Directorate. GRA Manager Ekaterina Mitsuk, the manager of the project, assures us that due to the practice-oriented approach, the updated training courses will help employees to better understand the fundamental principles and basics of the business ethics procedures.

What exactly has been changed? Interactive practical exercises and knowledge tests have been added, the theoretical part has been improved and presented in the form of animated videos and comics. Now the two updated courses – 'Fundamentals of Business Ethics and Conflicts of Interest' and 'Anti-Bribery and Corruption Policy' – are among the company's most interactive training courses.

The courses are compulsory for all employees (to be taken once every two years) and are available on the mandatory certification profile on the ESS/MSS self-service portal in Russian and English. If you have any questions or wish to share your opinion about the above courses, please contact Ekaterina Mitsuk.

We all must remember that the foundations of business ethics are a guideline that helps us to develop the corporate culture and improve the work environment, which we are incredibly proud of.



One Stop Behind. One Stop Ahead



ALL SET!

“Everyone Is Welcome to Participate! Win Together!” is the motto of the Winter Safety Marathon. Though the old cry of the scouts and pioneers “Be prepared! – Always prepared!” was on my lips after seeing the information for the first stage of the long-term marathon that will last till 31 March 2021.

The participants had a choice: either to discuss the winterisation of production facilities or to focus on how to get prepared for winter from home. Of course, the latter option is of a particular interest for those who work remotely.

As a matter of fact, these two issues have a lot in common. Take transport, for instance: preparation routinely includes tyre replacement, testing the battery, and making sure that antifreeze, snow brushes, and shovels are available. What about the staff, buildings, and equipment? Of course, there are some differences, but the main principles are the same: we, the participants, were to review what we had, to see if we had enough, to test what we could and, of course, to protect ourselves from the cold as efficiently as possible.

WATCH FOR CHILDREN!

So the question is, who can you never find at production facilities? Who needs extra attention at all times, especially on cold days? Naturally, children. There was a lot of talk about children at the first stop.

It is not so easy to keep these little troublemakers safe. Even less so in winter, since it has so much in store for kids. You can have a snowball fight, go sledding, or even taste an icicle. Indeed, parents should follow the principle of Alastor Moody (from the Harry Potter saga) who kept saying, “Constant vigilance”, and never leave kids unattended.

This can (and should) be combined with creating videos for our contest. The contest started on 10 November as part of the Winter Safety Marathon. You will find more details on the contest in the neighbouring article. Read, get inspired, and participate!

COLLECT POINTS

Each of the 24 teams chose the time and format for completing the first stage. The teams also picked pressing issues for discussion and came up with solutions, gaining points to go up in the league standings.

Besides being active, there are other ways to help your team at each stage. You can collect individual points (they are added to the team score) by filling in observation and intervention cards, by getting a flu shot (till 30 November), or by taking a special quiz on the Winter Safety Marathon web page. You can find it on the company’s internal website.

The quiz consists of seven multiple-choice questions, with only one correct answer. After each quiz five randomly selected people out of those who got every question right get prizes. An unexpected surprise, which makes it even more pleasant.

SLOW AND STEADY WINS THE RACE

Winter Driving – so clear and concise was the topic of the second stop. Here, the more information, the better. Participants in the Winter Safety Marathon discussed a step-by-step guide to preparing your four-wheeled friend for winter, the particularities of driving in deteriorating weather conditions, tips on how to respond to emergencies, and many other topics.

The marathoners paid special attention to a number of external hazards you could face while driving in winter. These are slippery surfaces, insufficient visibility, snow banks, and some other perils. A logical extension of this discussion were practical tips for reducing the risks of road accidents.

The first thing you could do is to adjust to the road conditions: slow down, keep a greater distance, or move smoothly without twitching. Second, it is a good idea to avoid manoeuvring and overtaking. Third, it is advisable that you add 30% to your planned trip time. Last but not least: a poor weather forecast is a good enough reason to cancel your long-distance travel.

Stay safe on your road to a healthy lifestyle!

■ Pavel Ryabchikov

Lights, Camera, Action!

The well-known saying goes: “All is fair in love and war”. This is also true about the Win Together! corporate art video contest. Participation in the contest will be of great help in the race for the title of Winter Safety Marathon champion. The additional points, the teams will rise in the overall standings.

The contest is open to anyone – employees of the company, recruiting agencies and contractors working on the Sakhalin-2 project, as well as their family members. Each participant can submit a maximum of three videos. Both individual and group entries can be submitted in any of the six categories:

THE BEST VIDEO ABOUT

- Goal Zero Programme and Its Priority Areas;
- Traffic and Road Safety;
- Safe Winter Sports;
- Safe Conduct During Winter Holidays;
- Healthy Lifestyle;
- Rules of Outdoor Behaviour in Severe Weather Conditions.

Videos can be made in any genre, format and visualisation technique. They can be funny or serious, colour or black-and-white. The video length, however, must not exceed 5 minutes. Finally, the most important thing all contest participants must keep in mind is this: it is up to you what to tell the world about, but the theme of all videos must be safety at work and at home.

Please send your videos by e-mail to ea@sakhalinenergy.ru by 31 January 2021. Do not forget to indicate the name of the contest in the subject line. Your letter must include the following information: the name and age of the author, the company you work in, and the title of the video. If you are a Sakhalin Energy employee sending your child’s video, please indicate your surname. In all other cases, please indicate the organisation you work for (regardless of whether it is you or your child who is participating in the contest).

Should you have any questions about the contest, please contact Alyona Olovyanishnikova (+7 (914) 759-42-64) or Yulia Vatutina (+7 (914) 759-40-70).

Hurry to join our contest! Pleasant surprises and gifts for all contest winners guaranteed!



Safety Is Trendy!

safety

Having high-quality personal protective equipment can be essential for a person's safety and health. That is why Sakhalin Energy pays special attention to such aspects as the quality of PPE manufacturing, comfort of wear and use, as well as its timely supply to the island. In 2020, the Health and Safety Subdivision, together with the Service Contracts Division, implemented a new PPE procurement and provision strategy. We talked to Alexey Zasutsky, Deputy Division Head, Health and Safety Subdivision Head, about how this process is managed in the company.

— Alexey, what prompted the decision to switch to a Russian supplier of personal protective equipment?

— Over the last two years, the company's PPE provision strategy has undergone drastic changes. This year, we concluded personal protective equipment procurement and supply contracts with three Russian companies: Technoavia-Sakhalin, Meredian, and NOW Distribution Eurasia. It is worth noting that Technoavia-Sakhalin and Meredian have in-house PPE production facilities in Russia. Switching to domestic suppliers has helped us to increase the Russian Content of the project and optimise the procurement process system-wide. This is what we have been able to achieve:

— Simplified the supply chain and significantly reduced delivery time;

— Arranged direct communications with manufacturers (all outerwear is custom-designed);

— Secured an annual reimbursement of costs for PPE procurement (this benefit is only applicable to PPE produced in the Russian Federation or in Eurasian Economic Union countries (Armenia, Belarus, Kazakhstan, Kyrgyzstan));

— Considerably cut down the company's expenses without compromising quality (in particular, the cost of the finished products decreased due to the lack of import duties on materials).

— Are there any changes in the basic PPE set?

— Certainly. The PPE assortment has expanded with new domestic- and foreign-produced models. Specifically, the footwear is now Italian, while all clothes are Russian. The offering of gloves has also been expanded. When coordinating everything

with the contractor, we tried to apply all the suggestions of company employees.

As I have already mentioned, today all items are produced based on company-specific designs. Outerwear features roomy pockets and useful accessories, the company logo and name chevrons. We set special requirements for the quality of materials and their protective properties. In the course of the tender, we tested PPE samples of different manufacturers in real-world use at the company's production facilities. This helped us to filter out low-quality products early on. Other criteria for the assessment of personal protective equipment include such parameters as ergonomics, washing durability of fabric, wear, the quality of fasteners, breathability, moisture repellence, heat insulation, and other protective properties.

— How was the PPE procurement process arranged on the corporate level?

— First, we had to revise our approach. We started by updating the corporate Personal Protective Equipment Provision Standard, which fuses the requirements of Russian law and best international practices.

Additionally, we prepared a list of employees responsible for PPE provision-related issues and approved it with the management. Each unit has such employees. All of them have undergone training and have appropriate competencies. You can find a list of these employees on the company's internal website.

— Can you describe how to place an order for PPE?

— If your duties entail regular visits to the production facilities, you are entitled to a permanent PPE set. For one-time

visitors, there is a rental option. The first step is to contact the person responsible for supplying PPE in your unit, who will help you form a list of necessary items based on the issue standards and the approved PPE e-catalogue. Next, you need to create a request in SAP and a picking list, which is then approved and signed by the employee responsible for PPE supplies. Afterwards, you can pick up the order at the warehouse. Each issuance of PPE is registered in your personal employee card.

— How long does it take for an order to be processed?

— The company has an automatic system for replenishing all categories of PPE at the warehouses. The employees responsible regularly update the parameters of the minimal PPE stock level of the warehouse depending on the demand. This is why PPE items are always available and ready to be picked up right after the creation of a request and the approval of the packing list. In turn, our Subdivision regularly audits the warehouses of our three suppliers in Yuzhno-Sakhalinsk to monitor the minimal PPE stock level on the island and ensure uninterrupted supply to our facilities.

— For what time period are PPE items issued?

— The terms are defined in the corporate Standard. Upon the PPE has expired, you need to present it to the person in your unit responsible for visual examination of PPE. They will determine if the PPE will be disposed of or if its expiration date will be extended. But I would like to stress that, in the case of an extension, the overall period of PPE use should not exceed the expiration date set by the manufacturer. This is important because the guaranteed protective qualities deteriorate over time.

— Well then, what is an employee supposed to do if they lose or damage a PPE item?

— They need to immediately notify the Line Manager and contact the person responsible for PPE to issue a report and prepare a new issuance request. Working



in damaged PPE or in an incomplete set is strictly prohibited!

— What about company guests that come to visit us for a few days? Do they also need to buy PPE?

— Of course not. For representatives of shareholders, government agencies and authorities, as well as other guests with short-term visits to the production facilities, there is a PPE rental service. A standard set includes a bag, a hard hat, glasses, overalls, boots, and gloves. You can find information on how to create a rental request in the corporate Guidelines for Obtaining PPE on the company's internal website. As I've already mentioned, you need to contact the person responsible in your organisational unit regarding all issues of PPE supply. As for general questions and suggestions on PPE contracts management, uninterrupted supply, PPE design, and quality of materials, please send them to the Central Safety and Health Subdivision.

Personal protective equipment is considered the least effective safety barrier in the Health Controls hierarchy. Nevertheless, it is an important element of the safety system and an indicator of the company's concern for employee welfare. Recognising the responsibility for the safety of our colleagues, their comfort when working in the harsh Sakhalin conditions, our team spares no effort in ensuring uninterrupted supply of high-quality PPE for the operation of company assets.

■ Interview by Alyona Olovyanishnikova

bookshelf

Green Journey Book

Have you guessed why we call the company's next Journey Book 'green'? You are right: it's because this is the first time we will not print it on paper.

Each of us will be able to read the 2021 – 2025 edition from our computer screen. By the end of the year, the Journey Book will be released in the traditional electronic format, and an interactive electronic version will be available by the beginning of 2021.

This document remains the main source of information for all directorates and other units of the company, as well as for each of us, to plan further work. The Journey Book makes it possible to trace Sakhalin Energy's development vector and to define our key tasks for the coming year.

This year, the preparation of the Journey Book was different. Instead of the traditional '100 Workshop', the draft document was discussed in the company's directorates and their organisational units, after which the versions proposed by the teams were approved by the Committee of Executive Directors. The 2021 – 2025 edition will feature a new chapter: information on the achieve-



ment of key indicators for 2020 and areas to focus on in the next year.

Personally, you can help the Journey Book to become 'greener' still if you do not print it but keep it at hand in electronic form.

meeting

Reports on gray whales

In November, the Western Gray Whale Advisory Panel (WGAP) held its 21st regular meeting. In addition to the members of the Advisory Panel, representatives of Sakhalin Energy, shareholders and lenders, the online event gathered delegates from government authorities of the Russian Federation, IUCN, oil and gas companies, public organizations and the science community.

Sakhalin Energy presented the final results of the 2019 Joint Programme* of gray whale monitoring, implemented with partner companies offshore northeast Sakhalin. As a result of the photo identification activity, 193 gray whale individuals were identified, including 22 calves. This is the highest number recorded over the entire research period.

The preliminary data of 2020 Joint Programme and company's own acoustic monitoring results was presented. Despite the complexity of organizing activities under COVID-19 pandemic conditions, the field season was successful: all planned scope was completed in full and on time. Dr Randall Reeves, WGAP Chair, commended the efforts of the company to complete the field season, notwithstan-

ding the constraints imposed by the pandemic.

Also, during the meeting information was provided regarding the planned seismic surveys in the company's licensed areas.

At the end of the meeting, Jane Alcock, HSE General Manager, noted that the company values cooperation with the WGAP. Transparency and mutual respect between the WGAP and Sakhalin Energy has made an important contribution to conservation of gray whales.

**Joint Programme implemented to perform diagnostic monitoring of the status of gray whales and their habitat in offshore northeast Sakhalin and to assess the effectiveness of measures taken to protect these animals.*

Preliminary Results of 2020 in the Oil and Gas Industry

2020 has seen global changes in many sectors of the world's economy, especially in the production and sale of energy resources. A number of factors have significantly influenced these processes: the warm winter of 2019, and the COVID-19 pandemic with all its consequences, including an economic crisis, a drop in energy demand, and a decline in GDP in EU countries.

OIL Production

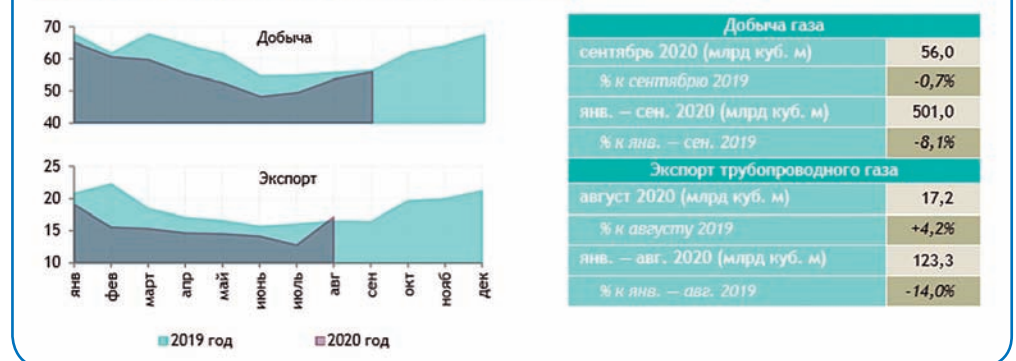
This year, the global demand for oil has decreased. According to the International Energy Agency (IEA), the supply in September fell by 0.6 million barrels per day (mb/d) compared to August. Most of the decline in production is attributed to the UAE (-0.4 mb/d), which has started to meet quotas again after exceeding them in the summer, Brazil (-0.2 mb/d) and Norway (-0.2 mb/d). The largest increase in oil production was observed in the USA (+0.5 mb/d) due to recovery from August hurricanes in the Gulf of Mexico. In October,

Hurricane Delta, which forced more than 90 % of the US Gulf's oil production to be shut down, propped up oil prices in the first half of October. However, these short-term effects, as well as the recovery of oil production in Libya, including the country's largest field, Sharara, and the threat of weakening oil demand because of new quarantine measures, have prevented oil prices from rising.

Export

In Q3 of 2020, Russian oil exports continued to decline due to the second wave of COVID-19. According to the Federal Customs Service (FTS) of Russia, supplies

Добыча и экспорт газа в России (млрд куб. м)



Source: Analytical Center for the Government of the Russian Federation

+50.8 % versus August (TTF index) due to partial growth in demand and limited supplies from Australia (partial shutdown of the Gorgon LNG Plant), the USA and Norway (maintenance on a number of fields). In Asia, gas prices also increased in September (+31.7 % versus August, N-E Asia LNG index). In the USA, gas prices fell in September (-17.1 % versus August, Henry Hub) following a drop of LNG exports caused by Hurricane Laura.

In midsummer, Turkey reduced LNG receipts for the first time since February 2020. According to Argus, this reduction is associated with a rebound in pipeline imports, which, in turn, is due to a drop in oil-indexed gas prices (following a slump in global oil prices in late winter–early summer 2020), growth in spot gas prices, and the need to fulfil contractual obligations.

In January – August 2020, revenues from Sakhalin Energy and NOVATEK LNG exports amounted to US\$5.475 billion, which was 0.1 % less compared to the same period of 2019 (then revenues from LNG exports under the Sakhalin-2 and Yamal LNG projects amounted to US\$5.51).

es of Russian gas. In August, the growth of LNG exports from Russia also resumed (after completion of Sakhalin-2 and Yamal LNG repair campaigns).

According to the Ministry of Economic Development, the volume of gas exports is expected to reach 184.5 bcm in 2020 (versus 220.6 bcm in 2019), 220.2 bcm in 2021, 238.4 bcm in 2022, and 240.5 bcm in 2023.

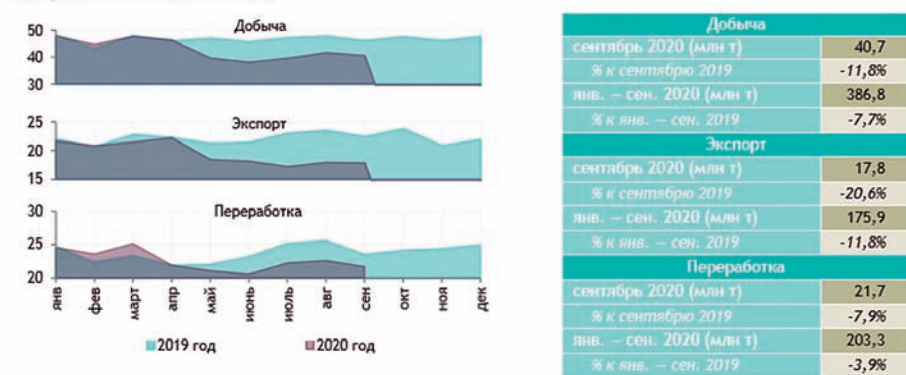
Last but not Least

In addition to the impact of the global economy, pandemic and other important circumstances, the oil and gas industry is exposed to the following key risks:

– For oil: the long-term development of electric vehicles. According to experts, global production of electric vehicles is unlikely to begin before 2030. Until then, demand for oil from the transport sector will increase;

– For gas: on a global scale, the main risk is the development of renewable energy. But even if the best scenario for renewables came to pass, natural gas will continue to play two important roles. Firstly, as a transitional fuel between coal and renewable energy sources (the share of coal in the global energy mix still exceeds the share of

Нефть в России (млн т)



Source: Analytical Center for the Government of the Russian Federation

the IEA confirmed its forecasts for oil demand at 91.7 mb/d in 2020 (-8.4 % versus 2019) and 97.2 mb/d in 2021.

In most regions of the world, the most dramatic drop in oil demand was recorded in the second quarter of 2020. In Q2 and Q3, the crisis associated with the COVID-19 pandemic had its greatest impact on demand in OECD countries of Europe and America. In Q2, demand in China began to grow due to lifting most of the quarantine restrictions and the transition to economic recovery.

In August, Russia maintained stable average daily production rates under the new terms of the OPEC+ deal (condensate excluded). In September 2020, average daily oil production in the country increased by 0.6 %. In annual terms, Russia's oil and condensate production in September fell by 11.8 % (-12.7 % in August 2020).

Prices

In August, due to the fall in the dollar exchange rate, as well as a steady decline in U.S. oil reserves, global oil prices rose slightly (by 3–4 %). Nevertheless, the COVID-19 situation continues to exert pressure. In the first half of October 2020, oil prices remained close to the levels of September 2020. In October, they dropped to the minimum since June 2020 due to the worsening pandemic situation around the world.

The recovery of U.S. President Donald Trump, an oil strike in Norway, and

to all major importers decreased in August compared to July – by 34 % to the neighbouring countries and by 13 % to Europe. At the same time, supplies to the Asia-Pacific Region increased by 4 %, mainly due to exports to China.

GAS AND LNG Production

In September, Russia stabilised gas production after eight months of decline. According to Rosstat, after a fall in annual terms (-0.7 % YoY) early in the year, gas production has remained almost unchanged thanks to renewed growth in pipeline gas exports since August 2020.

In Q3 of 2020, NOVATEK increased production, but cut off sales of gas. According to preliminary data, in Q3 of 2020, the company's natural gas production increased by 4.5 % YoY (to 19.1 bcm). For the first 9 months of 2020, this figure increased by 1.5 % YoY (to 56.7 bcm).

Prices

Global gas prices had collapsed long before the pandemic struck. During most of 2019 and early 2020, TTF gas prices in Europe and LNG spot prices in Asia ranged from US\$100 to US\$200 per thousand cubic metre (tcm). After the start of the pandemic, they fell even further.

In September, gas prices rose substantially in Europe and Asia, but declined in the USA. In Europe, prices grew by

Нефть в мире (млн барр./день)

	2019		2020			III кв. 2020 / III кв. 2019, %
	III	IV	I	II	III	
Производство нефти						
ОПЕК	34,4	34,7	33,6	30,8	29,2	-15,2
Сауд. Аравия	11,4	11,8	11,8	11,2	10,7	-6,8
США	17,2	17,9	18,0	16,0	16,2	-5,8
Россия	11,6	11,6	11,6	10,4	10,1	-13,0
Мир	100,3	101,6	100,3	92,2	91,3	-9,0
Потребление нефти						
Китай	13,8	14,1	11,9	14,2	14,4	4,3
Европа (ОЭСР)	14,7	14,1	13,3	11,0	13,1	-11,1
США	21,0	21,0	19,7	16,4	19,0	-9,4
Мир	100,8	100,9	94,1	83,0	93,6	-7,2

Source: Analytical Center for the Government of the Russian Federation

Given the volatility in the global oil and gas markets, LNG prices remain more attractive than supplies of pipeline gas under Gazprom's long-term contracts. Therefore, the LNG export volumes are more affected by the unstable economic situation than pipeline gas exports.

Export

In August, for the first time since the beginning of 2020, pipeline gas exports from Russia increased (+4.2 % YoY) due to a 7 % increase in supplies to non-CIS countries (FCS of Russia). In August, all the largest non-CIS importers, except for Turkey and Great Britain, increased purchas-

natural gas). Secondly, as a fuel for standby or peak-load thermal power plants, which produce electricity during periods of unfavourable weather conditions for renewable energy. This role will remain relevant even in the most decarbonised countries until the problem of industrial-scale energy storage is solved.

Thus, oil and gas will inevitably remain one of the most important energy sources in the world in the coming decades.

■ Prepared by Alexander Kisilev based on materials from: ac.gov.ru/publications/topics/topic/2290, neftegaz.ru, ng.ru/kartblansh/2020-07-29/3_7923_kartblansh.html

About Time and Self

This year, several Sakhalin Energy employees celebrated their work anniversaries in the company: Olga Tumentseva, Deputy Division Head, Head of the Tax Reporting Subdivision – 15 years with the company, Tatyana Steinberg, Engineer of the Approvals and Compliance Division – 20 years, and Anatoly Khristenko, Head of the HSE Subdivision – 25 years.

It is both easy and difficult to compare their career paths. On the one hand, they have all been working in the same oil and gas company for many years, which has made an impact on the course of their lives. On the other hand, their areas of responsibility are completely different. Nevertheless, the heroes of this story have a lot in common – their attitude towards life, work, and profession.

– **Can you describe your defining personality traits?**

Tatyana Steinberg: I am a self-reliant person with many years of work experience in the company. I value honesty and punctuality, both in myself and other people.

Olga Tumentseva: I am like that cat that fell victim to curiosity. Except with me it's less about nosiness and more about having an inquisitive mind.

Anatoly Khristenko: This might sound bold, but I believe that I can take charge in any situation.

– **Anatoly, can you provide an example to illustrate your self-assessment?**

A. Kh.: The work of our Subdivision often requires prompt responses and out-of-the-box solutions. Recently, we found ourselves in a dead-end situation but were able to turn it into a success. During a shift rotation at the OPF, we needed to organise the departure of 90 people to make sure they caught their trains and flights (if they were from other regions). We had a very small window. Simultaneously, our colleagues from Gazprom in the Kirinskoye field planned to have some oversized cargo transported. We knew that the vehicles with such loads would move very slowly and the South Access Road to the OPF would be blocked. In less than an hour, we were able to handle the situation. In the end, the shift rotation went smoothly, and the cargo was successfully delivered.

– **How did you end up in this field of work? What influenced your choice?**

O. T.: I specialised in accounting and audits. I studied various aspects of economics: banking and finance, accounting, economics, statistics, and – what were at the time novel subjects in Russia – taxation and auditing. I had good grades, and someone suggested that I try my hand at competing for a vacancy at a tax office. I successfully passed all tests and became a civil servant. I really enjoyed the work – the need to search for non-conventional solutions and justify them legally prompted me to keep learning. After 10 years of work, I thought that maybe my expertise would be of use in a foreign company operating in Russia. At first, I worked at Fluor Daniel Eurasia, but then I joined Sakhalin Energy.

A. Kh.: Chance and patterns played a role in my fate. I joined the company practically at its establishment. I worked as a stock-keeper at Molikpaq. Even back then I was already interested in the job of HSE Specialist. If you draw parallels with football, it is like being out in the field instead of sitting on the bench. My time in the Border Guard also influenced my choice, helped me to develop qualities necessary for working in this field.

– **Have you ever lost faith in yourself?**

T. S.: Never. I think the obstacles brought by the COVID-19 pandemic were the most challenging in my career at the company.

O. T.: You cannot afford to “lose faith in yourself” in my profession. My job is to control tax reporting (over 100 reports per year from Sakhalin and Moscow), develop methodology and taxation approaches to be used by the production teams (FinOps, SCM, Human Resources Directorate), analyse Sakhalin Energy's areas of operation to ensure compli-

ance with Russian tax legislation. In my opinion, if my team and I manage to work our way out of a complicated situation, it means we are doing our jobs very well. I have faith in my work, myself, my colleagues, and my company. When you work in a close-knit, friendly group that always supports you, it really motivates you.

A. Kh.: There was a time then my workload and duties had increased significantly, and for a moment I thought that I did not have it in me to cope with everything. I approached my Line Manager, who helped me to set priorities and smooth out the

workload. That was the most valuable life lesson. Instead of trying to break a person, lend a helping hand. An inspired employee is going to be twice as efficient as someone being forced. Being a team leader is not an easy task. You need to coax all the positive traits out of your subordinates and suppress all the negative ones.

– **What is the secret of the company's success?**

T. S.: I would say it's team, which has preserved the core values of Sakhalin Energy, as well as respect for people, the management's commitment to the goals and objectives of the company, openness and letting employees express their opinions, which are also taken into consideration.

O. T.: People are the force behind our company! Both those who have been with the company for a long while (and known both ups and downs and the paths of continuous improvement) and those who have joined the large Sakhalin Energy team recently (they bring fresh ideas and new knowledge).

A. Kh.: The secret to success is the people, their professionalism, and their ability to see the targets and the path the company is following. Certainty helps you feel confident about the future, which is a great indicator of stability and progress today.

– **What is something you would you never do?**

T. S.: I believe that you should never let down a person if they are counting on you. You should give your absolute best effort to help them. Everything in your power!

O. T.: I would never leave Sakhalin – I really enjoy working and living here.

A. Kh.: I would never abandon my friends or loved ones in a tough situation. I would never harm animals – I believe this is a sin. But never say never. If I had to protect myself or my family... Hard to say.

– **What do you like to do in your free time?**

T. S.: I like to spend time with my family and go outdoors.

O. T.: In summer, I like to go to the sea: sit on the shore, cook shashlik, mussels and sea urchins. In winter, I enjoy skiing at Gorny Vozdukh: the morning, bright sun, frost, clean air, and freshly-groomed slopes.

A. Kh.: Since I do shift work, I really miss my family, so I try to spend time with them whenever possible. I really enjoy long walks with my Shiba Inu Ichiro. My other passion is the band Affect.

– **What kind of music do you play?**

A. Kh.: Black metal. I formed the band with my brother 30 years ago, and it is still around. When we have a chance, we play at music festivals, record albums, and tour. We have received invitations from Japan and South Korea. Unfortunately, my work schedule does not always fit the tour dates, and I have to hush my muses for a while.

– **Do you have a motto or a saying that motivates you in hard times?**

T. S.: Always do what has to be done.

O. T.: Look on the bright side at any given moment, in any situation.

A. Kh.: Life is too short to hold grudges.

– **Do you have a dream? What would you wish for yourself and your colleagues in the coming year?**

T. S.: Stay healthy, happy and have solid ground under our feet.

O. T.: I wish for myself and my colleagues to work safely without COVID-19, to achieve new goals, to have a happy New Year and definitely to have a nice vacation!

A. Kh.: Stay healthy, take care of yourself and your family, and always follow the golden rule: treat others as you would like to be treated.

■ Interview by Elena Gurshal



Olga Tumentseva



Tatyana Steinberg



Anatoly Khristenko



75th Anniversary of the Great Victory

Memories are like pattering, incessant rain, Memories are like never-ending icy snowflakes

For the past year, we have been writing a column dedicated to the 75th anniversary of the Victory in the Great Patriotic War. Our deepest thanks to everyone who has responded and shared their memories of their families and loved ones. The final page of this year's "memory book" was written by Ksenia Vedneva.

— I know very little about my grandfather, Alexander Sergeevich Zorin. I know the number of his division and regiment. I have a list of his military decorations and a general idea of his battle route. I try to fill in the gaps, read publications dedicated to the history of the Second World War, try to imagine my grandfather on the battlefields.

He was awarded the Excellent Intelligence Officer badge for a successful mission during the liberation of Krasnodar in 1943. In February 1943, the units of the 18th and 46th Armies, supported by partisans, liberated the city. During 186 days of occupation, more than 60,000 people were killed, executed and tortured to death here.

In the history of the Great Patriotic War, Krasnodar is known as the city where the Nazis started to use gas vans. Soon after the liberation, it was revealed that more than 6,700 people had died from gas poisoning alone. They were mostly women, elderly people, children and patients of city hospitals. You could hardly find a family in the city that had not lost someone or where everyone was healthy. Some died in combat, others were killed by the Nazis.



Alexander Zorin. Romania, September 1944

The day before the liberation of Krasnodar, the Germans set fire to a Gestapo building with about 300 arrested Soviet citizens in its basement. Only one man managed to escape from the fire. But he also died from burns and wounds soon afterwards.

The 40th Separate Motor Rifle Division, the 31st Rifle Division and the 10th Rifle Brigade were the first to smash their way into the city. First, they liberated the Starokorsunskaya stanitsa, then the Pashkovsky village, and by seven in the evening, broke into Krasnodar. Where was Alexander Zorin at that time? Was he entering the city with his division? Was he trying to rescue prisoners from the burning Gestapo building? Or was he doing reconnaissance with his comrades-in-arms? I do not know. But what I do

know is that he was a good soldier, and his military decorations are proof of this.

Intelligence officer Alexander Zorin was wounded near the city of Zmiiv. For three days, this place was the scene of a fierce fight. After making an assault crossing of the Seversky Donets River, our units faced strong resistance, especially in the forest, with a lot of enemy log and earth bunkers and armoured machine-gun emplacements. The terrain was not favourable for attack. Moreover, the high ground and woods had been taken by the Nazis during the defence and formed a chain of significant defensive posts. According to German prisoners of war, one battalion alone had up to 20 log and earth bunkers, of which 12 were equipped with machine guns, 4 had grenade launchers, and the rest had easel machine guns. Minefields and wire fences stretched in front of the bunkers. So, it comes as little surprise that our troops who forced the crossing of the Seversky Donets River north-east of Zmiiv had been engaged in stubborn fighting before they managed to break through to the populated areas. Our infantry gradually advanced from the north and approached Zmiiv and Zamostye, an adjacent large settlement.

While these units were approaching Zamostye step by step from the north, other parts of the offensive forces were encircling Zmiiv from the other side, avoiding a frontal assault. Breaking up a German counterattack at Zamostye, our units forced the Mzha River (north-west of Zamostye) and reached Zmiiv by nightfall. The town was liberated. After some time in hospital, Alexander Zorin was back in the ranks.

Alexander Zorin served in the 36th Separate Guards Reconnaissance Company of the 40th Yenakiieve Red Banner Rifle Division which was formed in 1942. In early August, the division was moved to the area north of Stalingrad to become part of the 1st Guards Army of the Stalingrad Front. It first gave battle to German forces on 15 August 1942.



In the battles on the outskirts of Stalingrad, the division showed substantial heroism and bravery. While repelling the seventh attack of enemy tanks and infantry, 16 brave soldiers with grenades around their bodies threw themselves under the enemy tanks, repeating the immortal feat of Panfilov's Guardsmen. All of them died.

The division was awarded the Order of the Red Banner for the liberation of Donbass. In August 1943, its units, in cooperation with other formations of the 5th Shock Army, breached the enemy's defences on the Mius River and, on 8 September, liberated the city of Yenakiieve. In recognition of this, the division was awarded the honorary title "Yenakiieve Division".

In 1944, the division fought as part of the 46th Army of the 3rd Ukrainian Front and successfully defeated the German invaders in the Nikopol-Kryvyi Rih, Odessa and Iasi-Kishinev offensives. After the enemy's defeat in Ro-



mania, the division helped liberate Bulgaria, Yugoslavia, Hungary, and Austria.

On the night of 1 December, 1944, the division made an assault crossing of the Danube near Paks, a Hungarian town, and broke through the German defences on the right bank of the river, for which it was awarded the honorary title "Danube Division". From late December 1944 to February 1945, it participated in battles to encircle and destroy the Budapest group of German troops. During the Vienna offensive, the division, along with other army formations, demonstrated excellent combat prowess, good organisation and skill in combat operations in mountainous and wooded areas. For excellent completion of military tasks during the capture of Vienna, the division was awarded the Order of Suvorov, 2nd class. The soldiers of the division celebrated Victory Day near Tulln, an Austrian town north-west of Vienna.

Alexander Zorin's battle route ran all the way from the Caucasus through Ukraine, Romania, Bulgaria, Hungary, and Austria... He crossed half of Europe and survived! He was awarded the Order of the Red Star (due to the wounds received in the battles at Kharkiv, he got the award only after the war), the Order of the Patriotic War 1st class, a Badge of Honour, medals "For the Defence of the Caucasus", "For the Capture of Vienna", "For the Capture of Budapest", "For the Victory over Germany in the Great Patriotic War 1941-1945", and others.

Back at home, he had a family waiting for him: his wife Maria with their children Viktor and Alya. They dreaded the arrival of the postman and were happy when he brought letters written in a familiar handwriting. They were hungry and poor, but they survived and saw their soldier return home.

After the war, Alexander graduated from the Higher Party School under the Central Committee of the Communist Party of Kazakhstan and headed the Dzerzhinsky State Farm. Then the family moved to Primorye, where my grandfather headed a school in the village of Novolotovsk, Partizansky District. Later he started a career at sea and was promoted to first officer on vessels of Vostokrybolodflot. He passed away in 1989.

■ Prepared by Elena Gurshal. The publication contains materials from open sources

Journey of a Captivated Traveller

Once a year, go someplace you've never been before.

Dalai Lama

Vacation! Each of us has our own preference on how to spend this time: go to the countryside, stay home with loved ones, go abroad... In one way or another, this year many had to change their plans. Because of closed borders, we got to rediscover that our homeland is replete with activities to suit any taste.

It had always been a dream of mine to visit Kamchatka, the Kurils, and Baikal... October is the time of mellow autumn, and this year everything fell into place. Together with a group of bloggers and journalists from all over Russia, I went to Iturup, the largest island of the Greater Kuril Chain.



There are two ways to get to the island: by plane from Yuzhno-Sakhalinsk (it takes an hour) or on Igor Farkhutdinov motor ship (the sea voyage takes one or more days).

Kurilsk welcomed us with warm weather and bright sun. An hour later, we were already headed to the Bogdan Khmel'nitsky Volcano, which is visible from every part of the town. The peak of the volcano presented itself to us only once — normally, even when it's clear outside, the peak is covered by a cloud blanket that obscures the volcano's true height. The island treats its residents and visitors to breathtaking views of calderas on volcanoes overgrown with trees and shrubs and seemingly virgin lakes.

On your way to the Baransky Volcano, you suddenly remember that this is a young island that is still developing. This fact is hinted at by the subtle vapor and sulphur smell; later the surroundings of the geothermal power station leave no doubt that the island is alive. The slope is actively bubbling, boiling, steaming, and breathing. One has to be very careful making every step, in order not to fall into the boiling mud. In such a place you feel like you are in a steam cooker. It is an indescribable sight.

I thought that nothing could amaze me more, but 20 minutes later we got to the headstream of the Kipyashchaya River, which rises from the Izumrudnoe Oko ("Emerald Eye") Lake. The lake got its name for a reason: its water is deep emerald



Geothermal station



Hot springs of Baransky volcano

and does not boil due to its density, though its temperature reaches 100°C. There is thick steam coming from the lake and the river. When it's not windy, it almost feels like you are in a Russian banya and someone has just poured water on the scorching rocks. We experienced child-like glee when we had eggs boiled for us right in the lake — that was something else. Then we went to the hot



Lake Emerald Eye

springs with a water temperature of about 40°C. They are located close by, in a very picturesque location whose beauty can rival Japanese Onsens.

Another landmark of the island is its coastal cliffs, which are white due to volcanic pumice and magnetic sand. The view from

the sea is truly captivating. Not far from the airport, there is the unique Yankito Plateau. It was formed by a volcanic eruption when the lava hardened while streaming down into the sea. This has resulted in giant rocky ledges and magnificent natural monuments.

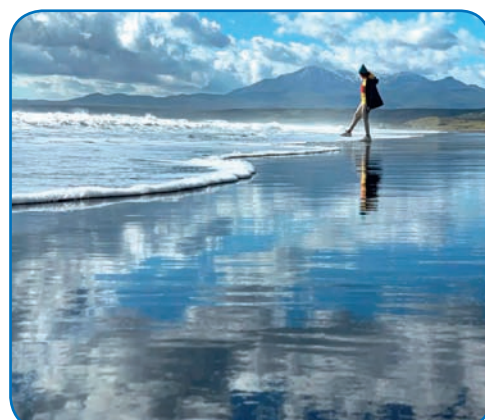


White rocks

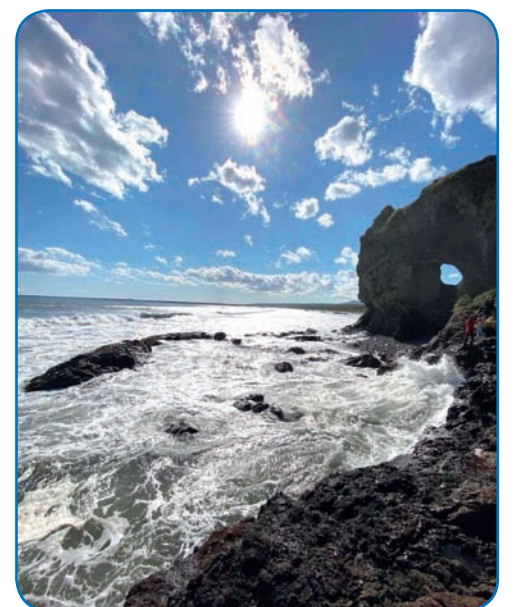


Yankito lava plateau

Iturup is a small island — in just one day, you can go from the relatively warm waters of the Okhotsk Sea to the shore where the mighty Pacific Ocean is roaring. On the way to Kasatka Bay (according to the locals, close to the Bay there used to be a Japanese chemical laboratory or hospital in tunnels; in the 1990s the caves were demolished, and now only their ruins remain), you can make a stop at Zerkalny ("Mirror") Beach. It got its name after a vast intertidal zone where waves leave a fascinating mirror-like surface in their wake.



Mirror beach of Kasatka Bay



Devil's rock. An abandoned tunnel passes through it to a destroyed Japanese hospital.

Being there causes genuine childlike excitement. While walking along the coastline, you are likely to spot fresh traces of a mother bear with a cub or run into a fox shamelessly asking for a treat from shocked tourists.

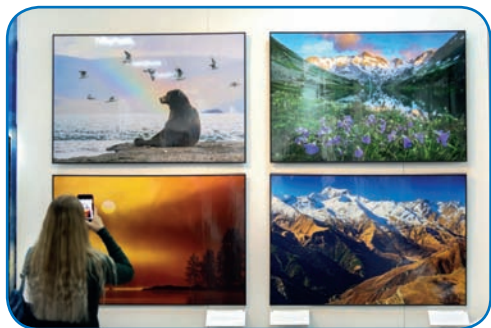


Teddy bear footprint

It's amazing how much beauty is packed onto one small island. Almost all the signature locations are just an hour away, and the wilderness has largely not been marred by humankind yet. It is not just a special island — it feels like another planet with its own rules, atmosphere, colours, and weather.

No one can stay indifferent to Iturup. People say that, in order to return to some place, you need to leave something there. I have left my heart on the island and will definitely return for it!





Right Course, Correct Perspective

The 'Pristine Russia: Bound for Sakhalin festival held in Yuzhno-Sakhalinsk with the participation of Sakhalin Energy ended on 30 November. For a whole month, the Museum of A.P. Chekhov's Book 'Sakhalin Island' hosted tours, artistic meetings, lectures, interactive classes, workshops, and film screenings. According to many participants of the events, the project was one of this year's major cultural events in the island region. The main subject of the project was nature in all its diversity...



The series of events was opened by an exhibition thematically divided into two modules. The first module presented a series of photographs of rare animals and pristine areas from all over Russia. The second one was devoted to the unique nature and biological diversity of Sakhalin Oblast as seen by Sakhalin photographers and Sakhalin Energy employees.



The unusual audiovisual performance presented by Gray Cake — a duo of Moscow artists — during the creative 'Night of the Arts' made an unforgettable impression on the guests of the festival. Utilising the capabilities of a 'specially trained' neural network, Ekaterina Pryanichnikova and Alexander Serechenko reproduced the story of the creation of life from scrap materials. A spellbinding scene took place on the screen to the sounds of live music: the images segued from one state to another, a set of geometric figures turned into a residential building, and human hands — into waves, ice or foliage...



The miraculous transformation of scrap into mystical animals was the result of a two-day joint effort with Pavel Shugurov and Natalya Plotnikova, guests of the museum, artists of the 33+1 art society, who had specially flown in from Vladivostok to introduce Sakhalin residents to street art at the artistic event. The workshop finished with a colourful parade of Bunny Chokopayka, Ba-Lisa the Fox, the Wise Owl, and even Master Yoda



The 'Pristine Russia: Bound for Sakhalin' organisers have proven that there is a good kind of mania. Several dozen people gathered in the Museum of A.P. Chekhov's Book 'Sakhalin Island' to show off their knowledge in the Sakhalinomania intellectual team game. The teams answered twelve questions grouped into four topics: Geography, Flora and Fauna, History, and Culture. The best results in the contest were given by the following teams: Sakhalin Inertia, the winner, Noda, which ran a close second, and Chekhov's Stone, which closed the top three



Sakhalinomania was not the only outstanding event of the fourth week of the 'Pristine Russia: Bound for Sakhalin' project. A lecture delivered by Oleg Burkovsky, a specialist of the Sakhalin Energy Environmental Monitoring and Biodiversity



Conservation Subdivision, was of great interest to the audience. The ornithologist shared his tips on how to take good photos of birds and even divulged some locations where photographers can encounter the feathered 'models'. The Yuzhno-Sakhalinsk Botanical Garden turned out to be one such place.



The results of the large-scale cultural campaign were summed up in an original format – a 'court hearing'. The organisers of the project 'accused' themselves of the 'terrible crime' of spreading Sakhalinomania, a particularly dangerous virus. However, the 'accused' did not regret their deeds in the least; moreover, they presented awards to those who had helped them to spread the 'virus'...



During the 'court hearing', awards were presented to the winners of the 'My Pet Is the Best' photo contest and the 'Bound for Sakhalin' quiz. The prize for the best photographic work went to Ekaterina Korzinina for her photograph titled 'Morning Yoga'. Olga Novokshanova and Nina Budanova were the best in the trivia category with their quick wit. The combined forces of the winners and other contest laureates reinforced the team of Sakhalinomania propagators and encouraged the project initiators and participants to keep spreading the 'virus'.

A Gift Is a Way to Say “Be Happy”



New Year may be the only holiday when children in difficult situations know that they are bound to receive gifts. The gifts they ask for. Sakhalin Energy is holding another traditional New Year Miracles Campaign.

Six years ago, the charity community had a heated debate on whether children in orphan homes and rehab facilities should be given presents. Some believed that giving out presents could give children the wrong idea about life. Others, however, argued that you ought not to take their faith and hopes away — hopes that dreams can and should come true.

The company employees also have something to say on the matter. We recognise the tradition to give New Year gifts as kind and heart-warming, and prefer to take action. Children with disabilities from low-income families, as well as children in difficult situations should not be left out. It is not even about presents: it is about fulfilling someone's wish and creating a festive atmosphere.

The beneficiaries were selected through an online poll taken by our employees. These are children from rehabilitation centres of Makarov, Kirovskoye, Smirnykh, and Yuzhno-Sakhalinsk. They wrote 109 letters about their wishes and addressed them to Father Frost. Additionally, boxes with sweets will be given to children from the Mayachok social rehabilitation centre.

The letters were “delivered” by a virtual postman. As usual, girls are more likely to dream about dolls; boys relish electronic toys, but one thing they all still enjoy is Lego.

Due to the difficult pandemic situation, “miracles” had to be performed in a new way. We followed the example of the Help to Get Ready for School campaign. We placed a container for gifts in our offices. Alternatively, you can buy presents online and have them delivered to our office at Kvartal Business Centre.

We cannot yet say how exactly we will deliver the gifts to children: we will have to look at the epidemic situation in the region. The volunteers who become Snow Maidens and Father Frosts every year are on standby.



■ Elena Gurshal

holiday

New Year's Eve – A New Way of Celebrating!

New Year is coming! Many people in Russia associate New Year's Eve with mandarin oranges, a snowy winter, the New Year tree, and chimes of bells — the time for making wishes. Excited for this holiday, we come up with something special every year: we decorate our homes, buy presents, and make our festive menu more interesting. This is something we have known since childhood, but sometimes we crave something new and unusual. Why not borrow some New Year traditions from other nations and use them in our family celebration? What if we celebrate this New Year's Eve in a different way?



IN THE JAPANESE WAY

The Japanese decorate their front doors with a kadoomatsu — a decoration made of bamboo, pine and rice straws. It is a tradition to give friends

and family greeting cards with a picture of this year's symbolic animal. It is also a tradition to buy a rake to gather more happiness in the coming year.

On New Year's Eve in Japan, you can hear 108 bell chimes! The chimes of the bells symbolise one of the six human vices: frivolity, stupidity, greed, anger, envy, and indecision. The Japanese believe that every vice has 18 shades; hence there are 108 chimes.



IN THE ARGENTINIAN WAY

In the days leading up to New Year, you can see the city centres littered with paper. Traditionally, it is a good stress management technique to throw

old magazines, newspapers and other papers out of the window.



IN THE SPANISH WAY

The Spaniards eat grapes as the clock strikes. You should be able to eat 12 grapes — one grape for each month. Then a sweet life is guaranteed.



IN THE DANISH WAY

As soon as they hear the first of the twelve chimes of the clock, the Danes, young and old, climb up on chairs. With the last chime, they jump into

the new year, accompanied by shouts of joy. This is believed to bring good luck.



IN THE GREEK WAY

Along with presents, the Greeks give each other stones — the heavier, the better. They believe the heavier the stone, the heavier the purse of those who receive such a gift.



IN THE CHINESE WAY

The Chinese have “illuminating trees” instead of fir trees. These trees are decorated with all kinds of colourful and very bright lanterns. They are supposed to light the way to the new year.



IN THE MICRONESIAN WAY

Micronesia boasts a tradition of changing names every year on 1 January. On New Year's Eve, you whisper your new name in your relative's ear so evil spirits cannot hear it.



IN THE FRENCH WAY

The French people bake a pie with a bean in it. The one who has the bean in their pie is declared King or Queen of the Bean, and everyone else is supposed to take orders from them.



IN THE BULGARIAN WAY

As the bells chime on New Year's Eve, Bulgarians prefer kissing to giving toasts.



IN THE BRAZILIAN WAY

Dressed in white, men and women bring burning candles or white petals to the seashore. The romantic part is followed by celebrations and carnivals.

As for Russia, New Year celebration came to our country in 1699 with the decree of Peter the Great. It stated that Rus was to celebrate New Year on the night of 31 December. The festivities went on for seven days. People decorated their homes and dressed fir trees with wooden toys, sweets, and nuts. Until 1699, New Year was celebrated in September after the harvest.



IN THE INDONESIAN WAY

The Indonesians do it wisely: they put on fancy clothes and say sorry to someone they love.

Happy New Year!



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