

**XXV ST PETERSBURG INTERNATIONAL
ECONOMIC FORUM**

THE SPEECH OF I.I. SECHIN

**NEW GLOBAL ENERGY MARKET: CRUSADE AGAINST
RUSSIAN OIL AND WHERE IS NOAH'S ARK?**

Saint Petersburg

June 18, 2022

Dear participants and guests of the Forum!

This year the Forum is celebrating its 25th anniversary. Over this time it has become the most important venue for prolific discussions and exchange of opinions. Traditionally, the discussion goes at the very highest level, and **our estimates and forecasts prove right**, and so it indicates the relevance of the discussed topics as well as the deep understanding of the processes taking place in the global economy by the discussion participants.

I would like to give special thanks to our participants today, that is DAI HOULIANG, Chairman of the Board of Directors of CNPC, ALOK KUMAR GUPTA, Chief Executive Officer of ONGC Videsh, PEDRO A. AQUINO Junior, President and CEO of OPHIR (Oil & Petroleum Holding International Resources), Nobuo Tanaka, Executive Director of the International Energy Agency in 2007-2011, as well as the moderator of our discussion, Academician of the Russian Academy of Sciences and President of the Institute of World Economy and International Relations of the Russian Academy of Sciences, – Alexander Dynkin.

As far back as in 2018, we already said that the policy of sanctions and ultimatums in the hydrocarbon markets would lead to the emergence of a permanent "sanctions premium" in the oil price, and we also noted the risks of new price records. Now all of this has become a reality, so the **global economic crisis is gaining momentum before our eyes.**

President of Russia Vladimir Vladimirovich Putin described the changes that are taking place in the global oil market **as tectonic. One has to understand that the world has changed completely.** With the destruction of the existing financial and legal instruments that previously ensured the functioning of the world market, the industry has to quickly find solutions to organize work in the new conditions.

The global crisis itself is not a consequence of sanctions, but sanctions certainly aggravate and accelerate the escalation of all crisis

phenomena extremely. **The way the U.S. understands it, the sanctions are some magic wand to achieve political and economic goals.** When market mechanisms do not help and when political possibilities for pressure are absent, then the U.S. **resort to sanctions without any justification.** Sanctions **are destroying** the previously immutable institution of contractual obligations as well as the judicial and legal system itself and the financial, transport and industrial sectors. As a consequence, it destroys the social sphere and, ultimately, the global market itself.

After the Second World War as well as the creation of the IMF and the transformation of the dollar into the principal tool of the global trade, the United States, who declared themselves the "leader" of the free world, developed a concept and a technology of unilateral sanctions, which then victimized China, North Korea, Cuba, Iran, Iraq, Venezuela, Libya, Russia. At the moment the unilateral U.S. sanctions are affecting 26 countries and 176 so-called sanctions packages have been implemented.

As for the current sanctions against Russia, I will just quote the recent speech of U.S. Deputy Treasury Secretary Wally Adeyemo, which directly admits the arbitrary and unprecedented (that is, based on no legal precedent) nature of these sanctions: "We," Adeyemo says, "have used sanctions in service of two objectives: denying the Kremlin access to the resources needed to prop up the Russian economy... We have taken unprecedented measures to immobilize a significant share of Russia's central bank reserves, neutralizing the war chest Putin spent years building for exactly this scenario – only to see U.S. sanctions blunt his efforts in a matter of days." **From the standpoint of assessing the legal framework for these actions – I have nothing to add.** It almost looks like an statement against oneself to the prosecutor's office.

The same US Department of the Treasury, in its 2021 sanctions review, noted that sanctions **should be an effective tool of U.S. foreign policy, making it possible to degrade countries` ability to project power, and their implications should be carefully assessed.**

The assessment of the consequences of sanctions should embrace the widest possible spectrum of information, **up to the intelligence data**. It is also noted that the U.S. see **risks not only from competitor countries, but also from international technological platforms, impersonal digital currencies, and certain innovations**. Actually everything that cannot be controlled by the U.S. is classified by the U.S. Treasury as risk factors that undermine the global dominance of the U.S. financial system.

The principles stated by the U.S. Treasury Department show that **to become subject of sanctions an entity does not have to break the law**. Enough is when the actions of a market participant or a political figure **contradict the political or economic goals** of the United States or simply compete with them. This is stated in their own documents published on their official websites.

The rule of law, principle stipulated in the Universal Declaration of Human Rights, adopted by the UN General Assembly on December 10, 1948, and also the fundamental laws of countries, including the USA and Europe, serves as a basis of **any modern constitutional democracy**. The destruction of this fundamental principle and the application of sanctions by a small group of countries **have undermined the fundamental basics of the legal system** established in the world after The Second World War, that is the **protection of property rights** and freedom of business, as well as the guaranteed **right to judicial protection** and other fundamental rights.

Our Company first experienced the nature of so-called "justice" in the EU when we challenged the sanctions imposed on us in 2014. So, when rejecting the Rosneft claims to lift the illegitimate sanctions, the EU Court admitted that the Company had nothing to do with the events in Ukraine, but however they noted that **the Company activities were critical to the budget and development of Russia**, and therefore sanctions against the Company were justified.

Therefore, the EU Court of Justice explicitly admitted **that the purpose of the sanctions against Rosneft is to harm Russian economy and its citizens, and that causing such harm is acceptable and legitimate if it meets the objectives of the EU foreign policy.**

As a result, we see that the U.S. and the EU have created an extremely simplified scheme of how to put virtually any entity or individual under sanctions. No need to collect any evidence or justification.

Sanctions are imposed for speculative reasons, without adequate grounds, with obvious mistakes and direct falsifications in the assessment of actual circumstances. Generally in order to impose sanctions they use fabricated reports from controlled media.

So we can now state **that the concept of presumption of innocence, introduced in Roman law in the 3rd century AD, today has been actually destroyed, – so all the sanctioned are assumed guilty from the very beginning, without any grounds, and that justifies any illegal actions.**

So, for example, the U.S. Administration officials again with no proof or reason accused our Company of supplying Iranian oil to Europe.

I would like **to thank the Russian Ministry for Foreign Affairs, which came up with a strong protest against** speculative accusations voiced by high officials of the US.

We can give **many examples of the arbitrariness of sanctions** that ignore all legal norms. Thus, in April **Greece seized a Russian tanker**, saying that it was allegedly shipping Iranian crude oil. Although the ship did not violate any laws, under pressure from the U.S. administration the Greek court ruled in favor of the U.S. and supported the confiscation and transport of that crude oil to the United States. Although later this court had to cancel this decision.

In France a **Russian businessman was deprived of assets** and the right to privacy not for any actions related to participation in any conflict,

but rather because he was a beneficiary of a joint venture **with BP Company in Russia. At the same time, the second beneficiary of this joint venture – BP – was not affected by the sanctions.**

The global crisis of 2008 was not overcome, but it was rather flooded with **money emission**. The emission possibilities which first seemed to have no limits were exhausted sometime in 2020-2021. At the same time, any significant increase in Federal Reserve rates means a risk of recession and a sharp rise in the cost of debt servicing (for the debts of the government, corporate debts and the debts of individuals). Therefore, the base cause of the inflation in the U.S. is the unrestrained emission of the U.S. dollar. Then the **multipliers of inflation** are: a) an accelerated **"green transition,"** which is economically meaningless (because of lack of economically reasonable technology) and politically motivated; b) **pandemic** and artificial disruption of logistical chains; c) unprecedented **anti-Russian sanctions**.

Effective fight against global inflation through rates increase is unpromising, because it will lead to the collapse of financial system. The increase of Federal Reserve rate is now radically behind and will continue to stay behind real inflation.

In fact, the "green revolution", and the anti-pandemic measures, and the hybrid war against Russia – all that are consistent attempts to organize **a change of the economic and technological order in the interests of the current dominant.**

In this context, the anti-Russian sanctions have actually **succeeded the "green transition"**. The residual "green rhetoric" completely contradicts the real practice aimed to replace Russian hydrocarbons at all costs. In fact, the "green transition" is **no longer needed as a way to manipulate the market** at the availability of other **rougher and more radical** ways. In particular, an assault with the purpose of stealing someone else's property, committed with violence – "robbery with violence", as it's described by article 162 of the Criminal Code of the Russian Federation.

The current global financial and economic model reeling either on expansion and bringing over the additional resources, or through money emission, has exhausted itself (perhaps the result includes the outflow of investment capital from Europe). At the same time, **America** today remains **the only global financial and economic regulator** and the economic dominant.

As a result of the anti-Russian sanctions that **Europe** was foisted on to implement, it has now completely **lost** its self-identity and its chances of becoming not only a political, but also a competitive economic pole, alternative to the United States.

The **energy suicide** that Europe is committing will have long-term consequences. We already see a decline of its economic potential as well as a loss of its competitiveness and direct losses for investors. Thus, in France stock index CAC 40 **dropped by 18%**, German DAX **by 19%**, and in Italy by **22%**. Cumulative losses of the investors in these three European countries **have already amounted to about \$1.6 trillion**.

This fall of almost all stock indices is happening on the background of **growing capitalization of the US three biggest military-related companies** [RAYTHEON, LOCKHEED MARTIN, NORTHROP GRUMMAN] that year to date has risen by 19%, while the S&P 500 index is down by 23%.

By rejecting Russian oil and gas, **Europe has turned itself into a region with the highest energy costs in the world, undermining its competitiveness**.

For instance, the German producer price index grew by 33.5% in April to last year's level, and the energy spending was up by 87.3% – substantially reducing the competitiveness of the largest European economy.

Besides, **the European producer price index rose by 37.2%** versus the previous year. The harmonized aggregated index of consumer energy

prices rose by 35.6% in the EU, and by about 60-80% in Belgium, the Netherlands and Estonia.

As a result of the significantly accelerated inflation processes due to the increase of geopolitical risks, disruption of well-established logistical chains and deepening of energy crisis we see **a structural growth in the cost of vital goods for the European economy**. Thus, prices for metals rose by dozens percent, and **the growth of fertilizers price was even above 180%**, which was largely the consequence of the rejection of cheap gas feedstock. The rise in prices for **wheat, barley and corn was about 80%**, and we can expect further growth due to the lagged effect of the rising fertilizers prices.

All in all, according to J.P. Morgan, the rise of energy prices in 2022 alone may cost the Eurozone **550 billion euros** extra – an equivalent of 4.5% of its GDP.

More and more Germans feel that their previous level of consumption is not affordable anymore. The German Minister of Economy Robert Habeck has already admitted that the country would have to face a **"new poverty"**.

In fact, what Europe had to face when it adopted the anti-Russian sanctions was social degradation. In essence, it is **the dismantling of the "social market economy" model**. Both its social and market sides. This is the **collapse of the great model of post-war Germany: the "Prosperity for All"** [Wohlstand für Alle] by Ludwig Erhard and Alfred Müller-Armack, – something that Germans were so proud of and believed to be an example for the whole world.

The "rules-based order" is a mantra which means the American-centred world and the rules that they invented themselves, and which Americans like to repeat all the time and blame Russia and China for violating it. But previously these rules were at least **marked** by the regulator and were more or less **observed** publicly, – these are the immunity of private property, the contractual obligations, the legal

protection of transactions and contracts, the priority of law... Now the so-called "rules-based order" recognizes the only rule – all the rules are set by a single regulator that changes them according to its own interests. **No other "rules" exist. The outcome is that we have the destruction of the market.**

In other words, we have a unipolar world with the "pole" that has flown off the handle.

I would like to draw attention to **some peculiarities of the functioning of U.S. energy companies** in the current environment. **Constant change of priorities**, national regulations and political targeting, with advancement of the green agenda, the pandemic and energy shortages – all lead to shareholders' **distrust** to the changing agenda and reluctance to invest in the long term. In this environment, short-term investments gain priority, and companies focus on increasing dividends while minimizing investments in development.

This is exactly the path taken by **oil and gas majors, which have placed the main emphasis** not on ensuring the long-term and sustainable supply of affordable energy to consumers, but on the **implementation of short- and medium-term projects with short payback period and early profits** to support the share prices, as well as on asset optimization, which often means the sale of assets that provide returns in the long term.

Driven by high oil prices, rising dividends and buyback of shares, the price of EXXON MOBIL shares has reached the new maximum, though the company is ramping up neither investments nor production.

In general, over the past 5 years the total upstream capital expenditures of the majors have **declined by 29%**. Earned, or – more accurately! – the money saved on investment, is allocated by companies to dividends and share buybacks, the spending for which has **increased by 31%** over the same period.

The strategy of increasing the immediate profits does **boost the stock quotes, but fundamentally it leads to stagnation.**

The White House's reaction to the market behavior of American companies is demonstrated by Mr. Biden's address to American oil and gas companies. Let me quote: “There is no question that Vladimir Putin is principally responsible for the pain the American people and their families are bearing.... But amid a **war** historically high refinery profit margins are worsening that pain... My administration is ready to **use all reasonable and appropriate tools... and emergency authorities** to increase refinery capacity”.

We already know **the reaction** of American production and refining companies to this letter. That reaction, as you can guess, is negative. The American Fuel & Petrochemical Manufacturers and American Petroleum Institute answered to Mr Biden. Here are some quotes: “Refined product **prices are determined on the global markets...** U.S. refineries are operating at or near maximum utilization... About half of U.S. refinery shutdowns are conversions to renewable fuel production... federal agencies are following through on your campaign promises to make capital formation more expensive for traditional energy projects”. And finally “Today’s situation did not materialize overnight and will not be quickly solved... **today’s challenges are largely the result of high crude prices** due to **1) a supply/demand imbalance, 2) logistics reshuffling as the world emerges from the pandemic, strong consumer demand, the ban on Russian products, and 3) policy decisions made at the federal and state levels over many years”.**

All of this suggests that **having exhausted the sanctions resources with regard to Iran, Venezuela, and Russia, the Administration can get to the market players in the United States.**

The decline in business is also due to the announcement by Western majors of the termination of all investments and voluntary withdrawal from Russia. For example, a former longtime and trusted partner of Rosneft, the British company BP officially announced its withdrawal in February this year, despite the fact that the Russian business had brought it \$36 billion in revenue since 2003 with only \$10 billion in total investment.

The announcement of the withdrawal came as a surprise to Rosneft, unwarranted in terms of our companies' successful thirty-year partnership, **and not caused by the commercial interests of BP** and its shareholders.

However, despite all statements about unconditional withdrawal from Russia, to this day **BP continues to be Rosneft's largest private shareholder** with a 19.75% stake. BP also continues to hold stakes in major joint projects, including Taas-Yuryakh, Kharampurneftegaz, and Ermak Neftegaz.

All these actions speak more about the desire to remain Rosneft stakeholder and wait until unfavorable geopolitical situation is over, incurring no real losses. We see similar actions from some Western majors.

At the same time, even though Russia's forex reserves get arrested and international assets of Gazprom get seized **Russia does not create any obstacles for foreign companies to continue their operations**, for example for dividends payable to BP. The only restriction imposed by the Russian regulators is that the **cash is to be remitted to special accounts , which will be done for BP – that is going to happen after the shareholders meeting and the amount will be around a billion of dollars. But we however expect that in case of Russian assets expropriation attempts the Russian Government will take like-for-like adequate response.**

I would like to draw your attention to the following fact: 83% of the world's primary energy is provided by traditional sources.

According to J.P. Morgan, amid the rapid growth of the economies of developing countries and their efforts to improve their standards of living and quality of life, **the growth of global energy demand will outpace the growth of energy supply by 20%**. To address the shortage of oil alone, **by 2030 the world will need additional investments** of \$400 billion. However, as already mentioned, amid investment cuts by the majors, this

level is unlikely to be achieved, and the oil shortage may persist for a long time.

In the meantime, as a result of rising energy prices, **the economic conditions for enterprises are deteriorating catastrophically due to the sharp increase in energy costs, that dramatically increases the cost of production.** The steel industry can be the most affected, since **it is impossible to maintain a continuous steelmaking cycle without Russian gas**, and a total termination of the Russian gas use, according to experts, will not only bring the steel industry to a halt, but will also lead to the collapse of all industrial production in Europe and increased unemployment.

Significant losses for ammonia and fertilizer producers are expected. Back in 2021, major European and British fertilizer producers and exporters were forced to cut production because of high gas prices, **which led to the higher price.**

The problems are not limited to the energy industry - they extend to **metallurgy, fertilizer production**, and ultimately, **food.**

Western countries not only create problems for their own economies, but also **transfer them to the most vulnerable developing countries** - and in this way the signs of crisis spread throughout the whole world.

No wonder that **World Bank President, David Malpass, has said that he no longer sees any way to avoid a global economic recession in light of the unprecedented energy and food crisis.**

As we already pointed out at Verona Forum last year, instead of mutual trust and cooperation, we are now witnessing **a reversal of trends from globalization to deeper regionalization.**

Involvement in international division of labor increases a country's vulnerability to sanctions. However, looking at the scale of sanctions pressure on Russia, other countries now understand that **the less they are integrated into the global community, the less likely their markets will be affected by the crisis.**

Similar trends can be observed on the gas market as well. The U.S. are trying to convince European countries that they will not be left without this energy resource under any scenario of reduced Russian gas supplies.

Nevertheless, Europe and the rest of the world have reasons for concerns. Even major LNG producers like Australia, Qatar and the U.S. are unable to quickly ramp up gas production. The U.S. efforts may increase the production to the amount which is less than 10 percent of the gas volume needed to replace Russian gas. **Gas, therefore has to be sourced from other markets – mainly the Asian – in order to meet the European demand.**

As a result, **Europe is already buying LNG intended for developing countries** that cannot compete in price. Thus, according to available estimates, between October 2021 and June 2022, **more than 10 LNG shipments to Pakistan under long-term contracts were canceled amid rising demand and prices in Europe**, forcing the country to buy gas on the spot market at a much higher price in order to at least partially meet its needs. The result was a major energy crisis, **with the shortage of fuel halting the operation of 20% of the electricity generation capacity of this country with a 220-million population**, leaving households and industrial consumers without electricity. Daily power cuts in cities reached 12 hours in May and June and 16 hours in the countryside.

At the same time the demand for cheaper substitutes is also growing and the share of coal in the energy balance is increasing. For example, coal generation in Europe, which already grew by 18% in 2021, may grow by more than a third in 2022. **Here we see a real "coal renaissance" in many ways undermining global efforts to reduce the carbon footprint.**

The rhetoric of Western countries regarding the need of decarbonization acceleration contradicts their own practice - they call for the carbon footprint reduction, but in fact they increase it while destroying other countries' economies

The crisis and deglobalization will inevitably induce changes in

the global financial system.

Current mechanisms that have evolved since the U.S. abandoned the tie of the dollar to gold and that have driven globalization development over the past 40 years will change. **A disproportionately high U.S. dollar's share of central banks' reserves** amounting to about 60% which is almost three times the U.S. share of the global economy **represents a clear signal that there is a need for change.**

Now **the borders of the unipolar world are already clear delineated**, and the process of change in payment systems will go on rather quickly, which may lead to the creation of new world's reserve currencies. This process is irreversible and will induce **a change in international trade geography** in the future.

The role of the euro as the world's reserve currency decreases. The Russian energy imports ban as well as the declining competitiveness of the European economy have already led to capital flight and an 8% depreciation of the euro against the dollar, from 1.13 at the beginning of the year to 1.04 at present. **In fact, by banning trade relations with Russia, Europe has limited the circulation of its currency, making it less attractive for international settlements.**

With the blocking of Russian foreign exchange reserves, the dollar and the euro have lost their status of reliable currencies as it became evident that access to them may be limited at any time.

It is necessary to move bolder and faster towards increasing the share of payments in national currencies, boosting the volume of mutual trade and goods supplies, fostering contacts between national banks and amplifying the integration of different countries' national payment systems.

It is no doubt that our joint efforts should not be limited to the financial sector, which does not represent something of intrinsic value but **only a tool for transactions.**

Mutual investments could be another area to strengthen

cooperation and help normalize the trade balances of the countries concerned. At the same time, it will help reduce dependence on the dollar and the euro.

Expanding partnerships and building joint institutions will **create a viable alternative to a unipolar world.**

The word of the year is “deleveraging”. **While earlier money used to flow from one market to another, nowadays most of the markets (except hydrocarbons) are slumping at the same time, including gold which is traditionally used in reserves. The dollar is rising as a last resort. And it is rising against the backdrop of a systemic inflation in the U.S. That is, at the moment the U.S. is the main beneficiary of the crisis through capital inflow and the strengthening of the dollar.** At the same time, an inevitable increase in interest rates is pushing up the costs of servicing the huge U.S. debt. And in the near term – recession and stagflation.

The start of the recession is already well visible. American S&P 500 index has slumped by 23% year-to-date.

As for the poorest countries **in Asia, Africa, Latin America as well as developing countries that do not have their own affordable energy resources, sanctions induce fuel, energy, and food prices growth there. The prospects are hunger and economic collapse.** This admit even those responsible for the sanctions bacchanalia themselves. **Is this Russia to blame? The answer for these countries is obvious. For them, the essence of the Western sanctions policy is clear – it is a discriminatory, even racist policy.**

The attitude to such policy was most delicately characterized by **Indian Foreign Minister Subrahmanyam Jaishankar**, who stated that **the West has to grow out of the mindset that its problems are the world's problems but the world's problems are not their problems.**

China has initially built its tremendous economic growth as a part of the global economy.

Nevertheless, **currently the U.S. has proclaimed China a major threat, both economic and, now, political and military. Describing the growing technological confrontation between the U.S. and China, Chinese President Xi Jinping assumed that "Technological innovation has become the main battleground of the global playing field, and competition for technological dominance will grow unprecedentedly fierce".**

By losing its leadership position in key 21st-century technologies, the U.S. is trying to contain China, **which has already become the undisputed leader in some of them, and may overtake the U.S. within the next decade in another. China has significantly increased its R&D spending, reaching \$580 billion in 2020, comparable to that of the U.S. China is the largest 5G market in the world and one of the largest manufacturers of 5G equipment. Thus, out of the five major suppliers of 5G equipment, two are Chinese and none are from the U.S. Having lost its competitive advantage in this area, the U.S. has acted in a non-market way by imposing harsh sanctions on Huawei.**

An integrated global market is dead. All previous institutions and mechanisms of its regulation operate in a non-economic regime, in fact – **in a war mode.**

In these circumstances, **it is impossible to overestimate the role of Russia** in the formation of a new markets configuration and new institutions of interaction among countries. Countries that are seeking independence from dictate and sanctions arbitrariness.

The country's leadership emphasizes **strategic objectives**: to ensure an economic breakthrough. Leading institutions and experts increasingly understand that the goals of economic policy cannot lie within the economy only: Hegel warned about this (the foundations of Hegelian dialectics – we studied at the second year of the University). Our goals – achieving **technological sovereignty** and increasing the efficiency of financial system, **which must move from the applied task of "inflation targeting" transition to ensuring economic growth** and effective

interaction, stimulation and simplification of cooperation with our **real, not ostensible partners in the world**. The movement toward technological sovereignty has already begun with the **restoration of basic production chains disrupted by sanctions**.

We already see a movement towards **new configuration** of the oil market, where **two price contours** are being formed: **a fair market price for friendly countries, and a premium, added to the price for unfriendly ones, which will be used to pay off our costs associated with the violation of rules and obligations by our former partners**.

In this environment **it is important to have an answer for the question – where is a "Noah's Ark" of the world economy?**

Russia, with its energy potential and portfolio of first-class projects, such as **Vostok Oil, can meet the world's long-term needs for affordable energy resources and certainly is such saving Ark**.

Vostok Oil is the world's largest, the only new project on a comparable scale. The resource base of the project – **6.2 billion tons of oil** – is confirmed by the results of large-scale geological exploration, detailed reports of world-class experts and international auditors. **Oil of Vostok Oil, which I would like to introduce is characterized with unique premium qualities** – extremely low sulfur content from 0.01% to 0.1% and low density of about 40 API.

Project valuation by the largest international investment banks – J.P. Morgan – \$114 bln, Raiffeisen – \$90 bln, Citi – \$86 bln, Goldman Sachs – \$85 bln, Bank of America – \$70 bln (the average for banks is \$89 bln).

It should be noted that Rosneft is already producing at the Vankor cluster fields, which are part of the Vostok Oil project, using the state-of-the-art technologies and demonstrating the highest efficiency indicators compared to the industry average.

The integrated program of geological exploration is successfully underway, in the left bank of the Yenisei River. We got oil this year while

testing two exploration wells, an increase of oil reserves by about **100 mln tons** is expected. It has been confirmed that Taimyr fields are characterized with abnormally high formation pressure up to 600 atmospheres which ensures high flow rates up to 720 m³/day after fracking [DEMO VIDEO]. In general, the results of geological exploration are many times greater than predicted, which allows to confidently plan high levels of production for many decades, with a phased reaching of the volume of up to **115 million tons of oil in 2033**.

It should be noted that there are significant prospects for developing gas resource base, as confirmed by our discovery of the Zinichev field in the Taimyr Peninsula. Zinichev field with 384 bln m³ of gas reserves has been recognized by the expert community as **the world's largest discovery of 2021**.

Vostok Oil project, unique in its scale, becomes a **driving force** that pulls the development of entire sectors of the real economy due to the multiplier effect of the investments made. In the context of decreasing investment in the oil and gas sector, Vostok Oil is the only project in the world capable to provide a stabilizing effect on the hydrocarbon markets, while having the highest efficiency and "survivability" (stability) performance. Delivery of the project will produce a huge positive effect for shareholders, ensuring capitalization growth and creating a powerful synergistic effect for the State.

Thanks to the direct access to the transport artery of the Northern Sea Route, the project's dependence on politically unstable hydrocarbon supply chains is reduced.

Implementation of the project does not cause any technological or resource difficulties for Rosneft. We have the necessary competence, knowledge and experience of implementing such projects. 98% of equipment and materials are domestically produced.

Pipe and other metal-intensive products are delivered on schedule under integral contracts with major Russian companies. More than half a million tons of supplies have already been delivered to construction sites.

More than a thousand units of special construction equipment have been delivered and are in operation, and a new vehicle service center of the Ural factory in Taimyr is in operation. **Seven modern Russian arctic class drilling rigs** have been assembled and **are in operation**, and **five more drilling rigs** are getting **ready** to spud.

Russian construction contractors (over 4,000 people and 2,000 vehicles) have been mobilized and are working around the clock. They are actively constructing the main technological facilities: **Vankor-Payakha-Sever Bay trunk oil pipeline**. 23 thousand piles have been driven in, more than 100 km of 800 mm diameter pipes have been welded in a string, development of quarries and construction of well pads are in progress as well as construction of power lines etc, all to the schedule.

Three new berth complexes were built and are operating on the Yenisei River as well as several storage bases for materials and equipment, this summer season three more berths will be completed.

The construction of the oil loading Sever Bay terminal is in **active phase**, artificial land plots are being built in the water area of the Bay, three of five moorings for tanker fleet are being constructed.

The **aviation infrastructure** of Igarka, Norilsk and Dixon is being expanded. Rotation villages are being constructed.

This means that the **project lives and develops** as planned, the inevitable difficulties are being overcome, but we have full confidence that all the tasks will be completed. **It must be done before the FLOOD.**

We will be glad to see our friends participating in the project of building the Noah's Ark of the World Economy.

Thank you for your attention!