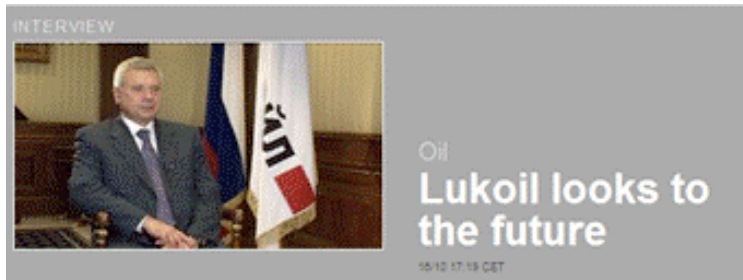


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## Lukoil looks to the future

Russia's largest private oil producer Lukoil is working on expanding its presence in Western Europe, recently buying major stakes in oil refineries in Italy and the Netherlands.

It is run by former Soviet government official Vagit Alekperov, now one of the world's richest men.

Energy has always been considered a strategic industry by the Russian state, but Alekperov seems to have been able to avoid the kind of attention other private oil companies have received from the Kremlin.

Vagit Alekperov spoke with euronews Business Affairs reporter Natalia Marshalkovich in Moscow.

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Mister Alekperov, welcome to euronews. Lukoil has been very active in expanding internationally. In particular, you recently completed the purchase from the French oil company Total of a 45% stake in a refinery in the Netherlands. What are you targeting next?

Alekperov

Lukoil is trying to achieve a programme of strategic development, we want to be a part of the refining of oil in Europe.

That means that we would like, in terms of production and logistics, to create a company that, as well as delivering raw materials to the European market, would also actually refine oil and provide it to the end consumer.

We're currently building contacts and negotiating. I mean we're not stepping up this process especially, but we believe that the crisis that the market has been through, gives our company an opportunity to follow through on those possibilities.

The profit margins for refining oil in Europe are very low at the moment, as a result, investment in oil refineries is low; and for our company, which wants to be fully integrated throughout the production cycle, there is a chance to be involved with the most advanced refining plants in Europe.

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“So you're saying the crisis has been a positive thing for your company?”

Alekperov

“We've tried for almost 10 years to obtain refineries and because of the crisis we have got two refineries at the same time, exactly where we needed them. One is in Augusta in Sicily, where our top grade Urals oil is going, and the other is in the Netherlands, at the point where our northern streams of oil converge.”

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“What levels of reserves would Lukoil consider to be sufficient and what are you doing about diversification of energy sources?”

Alekperov

“Lukoil has the largest reserves in the world, 20 billion barrels of oil and gas. And every year we do our best to achieve our programme of oil replenishment, from new fields that we're opening up and from new acquisitions. Over the years, how we've been able to do this was because of our geologists. Right now we have unique geological resources, which meant that we could, for example, open up the Northern Caspian region which previously looked unpromising from every point of view. Each year we open as many as 15 to 20 new oil fields throughout the Russian Federation. Our geological service has started prospecting in Eastern Africa. And this work goes on all the time. And as the head of the company I set the targets for them to replenish the reserves. At the same time we are starting alternative energy projects. But I want to stress that alternative energy can't be developed without the participation of the state, the state has to stimulate that. There are still no laws to cover that in my country.”

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“You know that the fight against global warming, and, as a result, the creation of a low-carbon economy is now a very hotly debated topic. What's the role of a company like yours in a low carbon economy?”

Alekperov

“I believe that we’ll be using hydrocarbons for a long time, because as I said the world’s population is growing. Today the population needs more and more hydrocarbons. Today the largest countries are part of that process, they’re becoming our biggest consumers, including India, and China where previously there were far fewer private vehicles. Our business will develop for many years yet. But there are other factors like the environmental problems, especially in large cities which want to use clean energy. So that is a factor that must be considered. It is impossible to move from one extreme to the other, everything has to be developed smoothly, green technologies, alternative energy sources, and power using hydrocarbons as the raw materials. And we still have huge potential for introducing new technology, to better extract oil from the fields. At the moment almost 50 percent of the oil remains in the ground.”

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“Your industry was always considered by the state as a strategic one and where the state has considerably strengthened its presence in recent years. How do you get the right balance in working in partnership with the state?”

Alekperov

It’s a delicate question. Probably, my personal experience affects this. I once headed the oil and gas ministry for the entire Soviet Union, I was responsible for all the oil produced in the USSR. And today my past relationship with the country’s leaders has an affect. But what is important for the state is our results, what Lukoil is able to demonstrate it can do as a private company. These days we’re already working by the principles of an international corporation, we are present in 42 countries worldwide. That means that there are de facto limits on access to oil fields. But I am totally convinced that currently, under the Constitution of the Russian Federation, according to the laws of the Russian Federation, all types of property (like companies) are equal. And to once again divide the companies into state and private ones would damage the Russian economy. Right now all the oil majors are important to the Russian economy.

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Mister Alekperov, thank you very much.

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