

## UMBERTO VERGINE: WE WILL CONTINUE TO PLAY A SIGNIFICANT ROLE IN KAZAKHSTAN'S OIL AND GAS INDUSTRY DEVELOPMENT

An Eni delegation headed by Umberto Vergine, Executive Vice President South Europe, Central Asia, Far East and Pacific, recently visited Karachaganak. Our correspondent met with Mr. Vergine who kindly agreed to answer a few questions.

**Mr. Vergine how do you describe the co-operation between Eni and the Republic of Kazakhstan?**

Kazakhstan is a country where Eni has invested quite a lot in terms of commitment and human resources, piling up in years of hard work a fantastic wealth of knowledge and experience. Eni has been present in Kazakhstan since 1992. Over this period we have proven that our relationships are mutually beneficial and successful, both for the Republic of Kazakhstan and Eni. We have achieved a great deal in partnership with the Republic of Kazakhstan, the state company KazMunaiGaz, our partners and the communities in which we operate.

Eni's main activities in Kazakhstan are performed in the Karachaganak field and in the area covered by the North Caspian Sea PSA. At Karachaganak, Eni is co-operator with BG Group with a 32.5% interest.

As part of the North Caspian Sea PSA, Eni holds a 16.81% interest in the development of the Kashagan field, which is believed to be the most important discovery in the world in the past thirty years.

We are confident that our constructive relationships with the Republic of Kazakhstan will continue. Eni is very honoured to be a partner of choice with the Republic of Kazakhstan, and in our work we will do anything possible to justify this great honour. The perspectives for our co-operation are impressive and we are committed to further fruitful co-operation as a long-term and responsible partner to the Republic.

**Mr. Vergine what were your impressions during the visit to Karachaganak? Were you satisfied with KPO's performance?**

In spite of the current economic situation, KPO has continued to make good progress on key projects to secure improved returns for both the Republic and Venture partners. In 2008, the company achieved record production levels, improved environmental and safety performance, and exceeded the targets in the areas of workforce nationalisation and local content.

Last year Karachaganak produced 136.4 million barrels of oil equivalent. This is a particularly impressive feat considering that in 2008 KPO had to complete the world's largest single total shutdown which was undertaken safely, ahead of the agreed timescale and within budget. Throughout the year, KPO improved its safety performance having achieved a lost time injury frequency rate of 0.11. Venture partners were very proud to have this progress recognised at the annual DuPont Safety Awards in Switzerland. In addition, KPO's November 2008 record of surpassing 20 million man hours without a Lost Time Injury (LTI) was soon after exceeded by reaching 30 million man hours without an LTI in March 2009.

Last year also saw improvements in environmental performance. When benchmarked against its industry peers, Karachaganak now clearly rates within the top quartile with respect to gas utilisation. In

2008, 99.78% of gas produced was utilised in some way – it was either sold, injected or used as fuel. In addition, in 2008 KPO received ISO 14001 Certification for the Environmental Management System.

**What are your current priorities in terms of the Karachaganak field development?**



**Umberto Vergine, Executive Vice President South Europe, Central Asia, Far East and Pacific**

In spite of today's challenging global economic context for our business (volatile commodity prices and a difficult capital cost environment) our priorities remain unchanged. These include the delivery of industry-leading growth and creation of sustainable long-term shareholders' value. Considering these priorities our strategy at Karachaganak is based on the following pillars: pursue capital and operating efficiency; manage risks; leverage research and innovation; enhance the Kazakh content; apply the highest principles of business conduct and promote the sustainability of the business model.

Currently, Karachaganak is one of the country's largest international projects with a total amount of investments exceeding \$10 billion. However, our investment here is not just limited to the development of this vast field. KPO partners are also investing in the future of both the Republic and its people. The development of the local workforce is critical to the continued success. Therefore, we have put in place long term development programmes and are now pushing forward with nationalisation agenda that will see Kazakh managers steering the future course of Karachaganak. Since signing the FPSA, KPO has invested over US\$96 million in training and development initiatives.

**The RoK Government places a very big emphasis on maximising the level of RoK vendors and contractors in investment projects. What is Eni position on this?**

We are committed to maximising the involvement of Kazakh companies in our operations thus supporting the economic development of the communities in which we operate. We aim to fully develop the potential of our Kazakh colleagues, partners and contractors. At Eni we believe that doing so broadens and deepens the

economic foundation upon which our business depends. The cornerstone of the local content development is encouraging supplier competitiveness. While this approach is driven by the need to improve logistics, secure quality goods and services, and reduce costs, it also has important socio-economic dimensions. The benefits of a diversified and competitive supplier base extend well beyond the reach of Karachaganak and deliver long term benefits to the local and regional economies.

For example, Karachaganak was one of the first ventures to implement a vendor development initiative. Some 2,500 Kazakh vendors are currently registered on KPO's supplier database. Since beginning of the Karachaganak FPSA in 1997, the local content level in all contracts assigned exceeded \$2.5 billion. During 2008, KPO achieved a level of Local Content of some \$573 million or 56% of the total contract value executed in 2008, which exceeded the agreed Local Content plan target of 43%.

At Eni we actively promote vendor development through a range of initiatives. For example at both Karachaganak and Kashagan, we assist local businesses in developing their key staff through international qualifications in environment, quality, health & safety, finance, project management and technical standards. This programme enhances the capabilities of local companies which is a primary consideration when we formulate tender lists for the provision of goods and services. And finally, we try to match international contractors with Kazakh companies to encourage inward capital investment and skills and technology transfer.

We minimize impacts through the extensive use of monitoring systems and via the conduct of environmental and social impact assessments, then leading to mitigation plans. We have professionals in this working in both Kashagan and Karachaganak.

As an example, in KPO regular environmental monitoring is conducted both in the field and in the surrounding villages. This enables us to constantly track our emissions and immediately react to any variation. Moreover we have mobile environmental monitoring stations that can be rapidly deployed everywhere within the Karachaganak field vicinity, including Village, should the necessity occurs. Village residents also can request this deployment.

Our other main objective is to maximise the opportunities for sustainable development, through infrastructure enhancements, environmental improvement, social initiatives and the development of local personnel and contracting companies.

Again, in KPO we have defined a Sustainable Development Strategy and a set of Social Performance Standards, which are based on our experience to date and on relevant national and international guidelines. We aim to enhance sustainability across company processes and we utilize international best practices: last year KPO assessed itself in terms of the protection of Human Rights, with the support of a leading international institute.

Here in the West Kazakhstan Oblast, we also continued to work on a number of social infrastructure projects. We committed additional funds to local infrastructure development and we expect that this work will continue during the course of 2009.



**What is Eni agenda in RoK with regard to corporate social responsibility and sustainable development? The importance of these topics is increasing with every day and RoK civil society pays lots of attention to these issues.**

With reference to responsibility towards society as a whole, Eni is driven by two main objectives: minimizing impacts linked to our presence and maximising opportunities for sustainable development.

Concluding I would like to underline that although there is little doubt that this year will prove to be very challenging, I am confident that together, through genuine dialogue and a shared desire to support common ambitions over the long term, we, together with the Republic of Kazakhstan authorities and venture partners will continue to play a significant role in Kazakhstan's development.

## IMQ starts at KPO

KPO Training and Development department has recently announced the beginning of International Management Qualification (IMQ) program which is accredited by the Institute of Leadership & Management (ILM), a worldwide recognised

awarding body based in the UK.

Fifty nine KPO local employees representing various departments will start IMQ Certificate and 15 employees for Diploma level this year. All the participants have been selected through an accurate

analysis of the development plans and the KPO needs.

The IMQ program was launched at KPO in 2006. The program provided to KPO local personnel covers international principles in the sphere of management and is a part of the Nationalization Program. The development of management skills will increase the professional competence of the participants of the programme and, as a result, will accelerate the development of

their careers within KPO.

Since 2006 more than 100 KPO employees successfully completed this program. IMQ program includes different modules aimed at development of managerial competencies such as self-management, management of people, resources, information and changes.

IMQ program is a valuable tool for development of managerial competencies.

## Joint forum of chemical suppliers for oil-gas sector

On 15 May leading oil and gas operators, together with KazEnergy, hosted a joint forum in Astana with local and international suppliers of chemical products.

The purpose of the forum was to maximize opportunities for the development of local content in the procurement process of Agip KCO, Tengizchevroil and KPO. The Forum discussed the chemical needs and quality requirements of the Kazakhstan oil and gas industry and the subsequent supply opportunities for potential local contractors.

KPO General Director, Roger Fox, commenting on the event said: "Such events provide an excellent opportunity to improve already existing strong ties with Kazakhstan's contractors and suppliers. There are nearly 2500 Kazakhstan's enterprises in the database of the KPO, and since 1997 the amount of local content in contracts concluded with the KPO, made up more than \$ 2.5 billion".

"While the main operators of oil-gas sector play an important role in the development of local content, local suppliers also must cooperate with us and our contractors to ensure compliance of their products with requirements in respect of safety, quality and price standards", added Roger Fox.

The Forum's goal was to encourage the development of Kazakhstan's service market by providing information on the demand for services of international and local companies and organizations from Agip KCO, TCO, and KPO. It also sought to promote the development of the existing international and local chemical market through preliminary inquiry and detailed meetings, i.e. to allow international and local companies to familiarize each other about their capabilities and plans, to discuss the application of international best practices in the field of chemical production in Kazakhstan, and thus stimulate the development of local



Joint forum in Astana

chemical sector by guaranteeing partnership between international and local companies.

A structured system of chemical supply, analysis and monitoring are an integral part of production activities at Tengiz and Karachaganak and will be an important factor when Kashagan comes on stream.

An analysis was conducted in order to get an idea about the state of international and national market of chemical products and supplies, including transportation, storage, disposal and licensing. Three major oil-gas operators - Agip KCO, TCO, and KPO - raised the issue of the growth and development of Kazakhstan's chemical market due to high and constant demand for such products at its projects. This is also aligned with the Government's priority of increasing volumes of Kazakhstan goods and service provision and expand the participation of local suppliers in oil-gas projects.

"The organisation of such forums has largely contributed to the success of TCO in attracting Kazakhstanian goods and services. Forums have played an important role in TCO's work on promoting the establishment of joint ventures between international players and Kazakhstanian companies. Over the

past three years TCO allocated more than \$3 billion for Kazakhstanian goods and services", said the manager of logistics department of "Tengizchevroil" LLP Renee Lagorio-French.

During the forum participants familiarized themselves with an overview of operators' requirements for contracts and procurement, as well as with procedures for the prequalification evaluation.

The Forum, which was organized in conjunction with KazEnergy, was also attended by leaders and experts from the Ministry of Energy and Mineral Resources of RoK, the Ministry of Industry and Trade of the RoK, KazMunayGas, Akimats of Atyrau, West Kazakhstan and Mangistau Oblasts, Kazakhstanian companies specializing in chemicals supply, international manufacturers of chemicals and social-entrepreneurship corporations from different areas of Kazakhstan.

The Forum provided a unique opportunity to combine major producers of goods and services and subsoil users of oil-gas and power sectors for joint work on development of local content and creation of new jobs, as well as to use opportunities of KazEnergy Association for its implementation.

## New courses to develop business skills

The professional development of resources is a long-term process which aims to improve skills, knowledge and competences to fulfill the current and future resourcing needs of the company. The KPO Training and Development department is now implementing a structured and effective approach to the development of its workforce and the provision of training courses in order to bring people up to KPO and job-required standards. During the last ten years the KPO Training and Development department conducted programmes for business skills development. Business skills development is a short-term programme aimed at developing and improving personal effectiveness and utilizing new tools at work and in daily activities.

This year the Training and Development department has expanded the range of proposed business skills development



KPO Training Centre

programmes. At present KPO employees have an opportunity to attend courses such as conflict management, assertiveness skills, key to motivation, mentoring and coaching skills etc.

Training and Development Manager Yelena Zemlyanskaya said: "This initiative is one of the important steps for those people who really want to improve their skills and knowledge base."

## KPO holds BBS Annual Award Ceremony

Every year KPO recognises the outstanding contributions of employees to its Behavioural Based Safety (BBS) programme and this year on 7 May staff gathered again in "Arman" restaurant to recognise the culmination of these efforts. The BBS Annual Award Ceremony was sponsored by the Safety Department of KPO.

The BBS Programme was launched at KPO in early 2004 and was established to support safe operations. It applies across all operational and project activities under KPO control including activities carried out by contractors.

Welcoming attendees, Antonio Baldassarre, KPO Operations Director, thanked awardees for their outstanding work and offered his sincere congratulations to nominees. In particular, he said: "You are here representing your teams, who tonight are recognised for their contributions to the implementation and support of KPO's Behavioural Based Safety Programme which this year marks its fifth anniversary."

"Our Behavioural Based Safety Programme is one of the key methods we use to sustain our safety achievements. It helps to identify and correct the root cause system failure before an incident occurs, thus providing a proactive safety improvement tool. Over the past year, we completed a major facility shutdown safely, on time and within budget and our BBS Programme was again an important contributing factor towards an Injury free shutdown. The lessons from this experience will help us during the next shutdown period as well."



Congratulations from KPO Operations Director Antonio Baldassarre

"In all, this achievement is a reflection of the work which we have undertaken over a number of years with respect to safety awareness across the business. Last year, we also saw improvements in our environmental performance. We received ISO 14001 Certification for our Environmental Management System which will help us to continue to improve our environmental performance over the coming years. I am sure that you will agree, that it was an excellent year and we should all feel tremendously proud of our accomplishments."

KPO General Director Roger Fox also congratulated Award nominees and recipients stating: "This is an important event on KPO's calendar and it recognises outstanding individual and team contributions to our BBS programme, which this year marks its fifth anniversary. To both the nominees and winners, I would like to extend my congratulations."

"I believe that your personal leadership, ownership and enthusiasm have had a huge impact on our safety performance and culture and going forward, the challenge is to maintain a culture which supports our continued learning in this area."

## Scholarship Programme for KPO employees and their children

KPO has announced the 2009 scholarship programme for KPO national employees and their children.

The purpose of the programme is to improve the technical and professional knowledge and skills of national employees to ensure ongoing development of KPO's workforce and prepare staff for future leadership roles.

The Scholarship Programme provides for 40 scholarship grants per year. 15 scholarships are available annually for KPO employees and 25 scholarships available for children of employees. The Scholarship Programme is one of KPO priorities and the company hopes that such financial support will be valuable to its national employees.