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**BY THE**  
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**RETURN TO GROWTH**

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**XIII Eurasian Economic Forum in Verona**

**October 22-23, 2020**

**A new reality of the global economy  
from the Atlantic to the Pacific Ocean**

Special session

**The future of the oil industry: a new strategic outlook on demand,  
supply and market balance, and the pursuit of a new socioeconomic  
development model**

Dear friends, guests, participants and organizers of the Forum!

**Slide 1. Return to Growth**

Distinguished Mr. Romano Prodi, twice Prime Minister of Italy and a former President of the European Commission, who has made a great contribution and remains faithful to the ideas of the European integration and sustainable development, Italian Minister of Economic Development Stefano Patuanelli, Minister of Industry and Trade of Russia Denis Manturov, Head of the Russian Bank VTB Andrey Kostin, Mr. Antonio Fallico, President Banca INTESA Russia and the President of Conoscere Eurasia Association, Mr. Fabio Tamburini, Director of Il Sole 24 Ore Newspaper.

I am happy to welcome you and would like to express my gratitude to all the participants of the discussion and the distinguished audience for their commitment to the Eurasian Partnership. I would like to convey special words of gratitude to the organizers of the Forum and to my friend Antonio Fallico for the high-quality organization of the Forum in the current difficult environment which, certainly, required a bigger effort than ever and a great dedication.

**Slide 2. Unprecedented Turbulence**

The world economy is experiencing an unprecedented period of turbulence and uncertainty. At the end of this year, the world economy is expected to decline, and the prospects for 2021 are determined by the success of the fight against the pandemic.

It is estimated that the global economy and the oil demand may begin to recover as early as next year. Nevertheless, the humankind needs to make a coordinated effort to achieve results. This is a complex task, but one that

is solvable. A good example here is China, which was the first to face the epidemic. In the shortest time possible, the country has managed to overcome difficulties and embark on the path of economic recovery. According to the IMF and OECD forecasts, China's GDP will show growth of about 2 percent for this year already, and in 2021 the country may return to its previous growth rate of about 8 percent. China's art of managing commercial and strategic oil reserves to ensure economic growth is to be highly praised. China is building up stocks during periods of oil price declines, not only ensuring that its economy grows with more affordable energy resources, but also supporting the entire global oil market during periods of falling demand, as it did in April and May this year. We believe China's economy is indeed recovering quite rapidly, as it is estimated that China has not disposed all of its oil stocks, but instead, began to raise oil imports in the past weeks again. It would be fair to use China's experience in the fight against the viral pandemic rather than attacking their experience – this could perhaps allow taking more effective measures and to avoid a second wave of infection.

Nevertheless, if instead of solving problems, accusations continue against individual countries as 'carriers' of the virus and the borders continue to get closed, the humankind may unfortunately not be able to cope with the pandemic any time soon.

A much more rational and productive approach for the world community is not to confront, but to join our efforts to solve the challenges facing the humankind in economy, the energy industry and environmental protection.

The long-term prospects for energy demand will be determined by the development of technologies and the pace of energy transition, as well as by the growing contradiction between the economic growth and greenhouse emission reduction targets. These contradictions have the

potential to be resolved, among other things through technological advances that will both improve the availability of renewable energy sources and significantly reduce the environmental impact of the use of conventional oil and gas. However, there are other serious problems that technology can't help to solve.

### **Slide 3. New Form of Sanctions**

In the past years, the sanction leverages used by the U.S. and the EU have moved to a whole new level where any justification for imposing sanctions is no longer required, sanctions can be imposed almost at any time against any company or even an individual. Sanctions are and will continue to be an obstacle to market and global economic recovery. A vivid example is the pressure on the Nord Stream-2 project that was added to the US National Defense Authorization Act.

### **Slide 4. Responsible Behavior of Key Market Participants**

The pandemic has shown the instability of the existing model of the world economy with its long transportation and production chains. The role of the domestic market as a tool to support the economy in the face of global market volatility is growing. The natural desire of countries to guarantee stability of their own economies will definitely lead to protectionism, regionalization of trade, localization of manufacturing. However, the isolation of economies and the establishment of barriers are not applicable in the energy sector and lead to devastating consequences for both producers and consumers of energy resources. Ensuring interaction between producing countries is a guarantee of both energy and economic security, and the importance of this interaction will only increase.

### **Slide 5. Global Energy Consumption will Grow**

New social behavior standards, such as remote work and virtualization of

needs, as well as digital and network segments expansion in the economy are gradually adopted by the business and the mankind in general.

Regardless of the behavioral model change, the mankind will require more energy in the future, and the energy demand will grow along with the global economy and the population growth.

Renewable energy alone will not be able to meet the growing demand. According to IEA in the next 10 years zero emission target achievement will require at least USD 28 trillion of investments. And the theoretic option of the complete abandonment of fossil fuels use will require about USD 50 trillion of investments in the same period which is three times more than the EU GDP. If conventional fossil fuels stop being used one shall not forget the potential shortage of metals required for equipment fabrication, for example, solar and wind energy storage batteries.

### **Slide 6. Two Conditions for Renewable Energy Development: Environment and Investments**

Certain types of metals are produced in complicated jurisdictions and may be extremely toxic, for example cadmium. Moreover, unlike conventional oil and gas, many actively promoted technologies may be applied by far not in all countries and not under all climate conditions. Not all the countries may afford renewables development due to economic reasons and the current advancement of technologies. Impact of these factors is well illustrated by the current “green energy” spread: now 10 countries produce 80% of the global solar and wind energy. Reserves to production ratio of some metals is more than enough at the current consumption level but in case of exponential demand growth there will be a shortage and dependency on unstable supplies.

Accelerated renewable energy transition may also result in the investment misbalance – oil and gas production underinvestment will result in the rapid price growth of all energy types, not only of oil and gas.

The global oil and gas industry is at the forefront of new technologies development and we still have an enormous development potential. In the next decades we are very likely to see conventional and renewable energy symbiosis, which resolves climate issues and meets the customer needs in affordable energy.

### **Slide 7. Rosneft - Responsible Conventional Energy Producer**

Rosneft makes every effort to secure stable future hydrocarbons supply. The intensity of Rosneft greenhouse gas emissions is one of the lowest in the industry today and one of our strategic priorities is to retain leadership positions in this area. In the past years we managed to avoid more than 3.1 mln tons of CO<sub>2</sub>-equivalent emissions. We planted more than 1 mln trees in Russia in 2019 alone. In the last 5 years our green investments exceeded USD 4 bln.

### **Slide 8. The Company's Achievements On Sustainable Development Are Reflected in Specialized International Ratings**

The Company's sustainable development achievements are indicated in specialized international ratings, where Rosneft is in line with the global majors. The Company continued to strengthen its position even in this difficult year. LGIM, one of the leading global investment companies, with more than USD 1.5 trln under management, upgraded score of Rosneft climate change activities by the record high 80 per cent.

### **Slide 9. Rosneft Is the World Leader in Reserves, Production and Efficiency**

The mankind requires balanced conventional and renewable energy

development, stable energy supplies in compliance with environmental priorities, international cooperation for the sake of energy security and sustainable global energy economy instead of confrontation. Sustainable development of global economy and energy industry may be achieved only on the basis of mutual interests and a reasonable balance.

Rosneft portfolio includes a range of top class oil and gas projects with low lifting costs that are being implemented in accordance with the highest environmental standards.

### **Slide 10. Vostok Oil: Integrated Development of a Unique Resource Base**

Vostok Oil project in a world class oil and gas province that was recently discovered by Rosneft is a good example. We are ready to share the success story and in this difficult time we welcome new Western and Eastern partners as well as equipment and service suppliers with their know-hows and best practices. Once again I wish success and strong health to the Forum participants!

Thank you for attention.