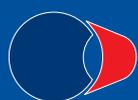
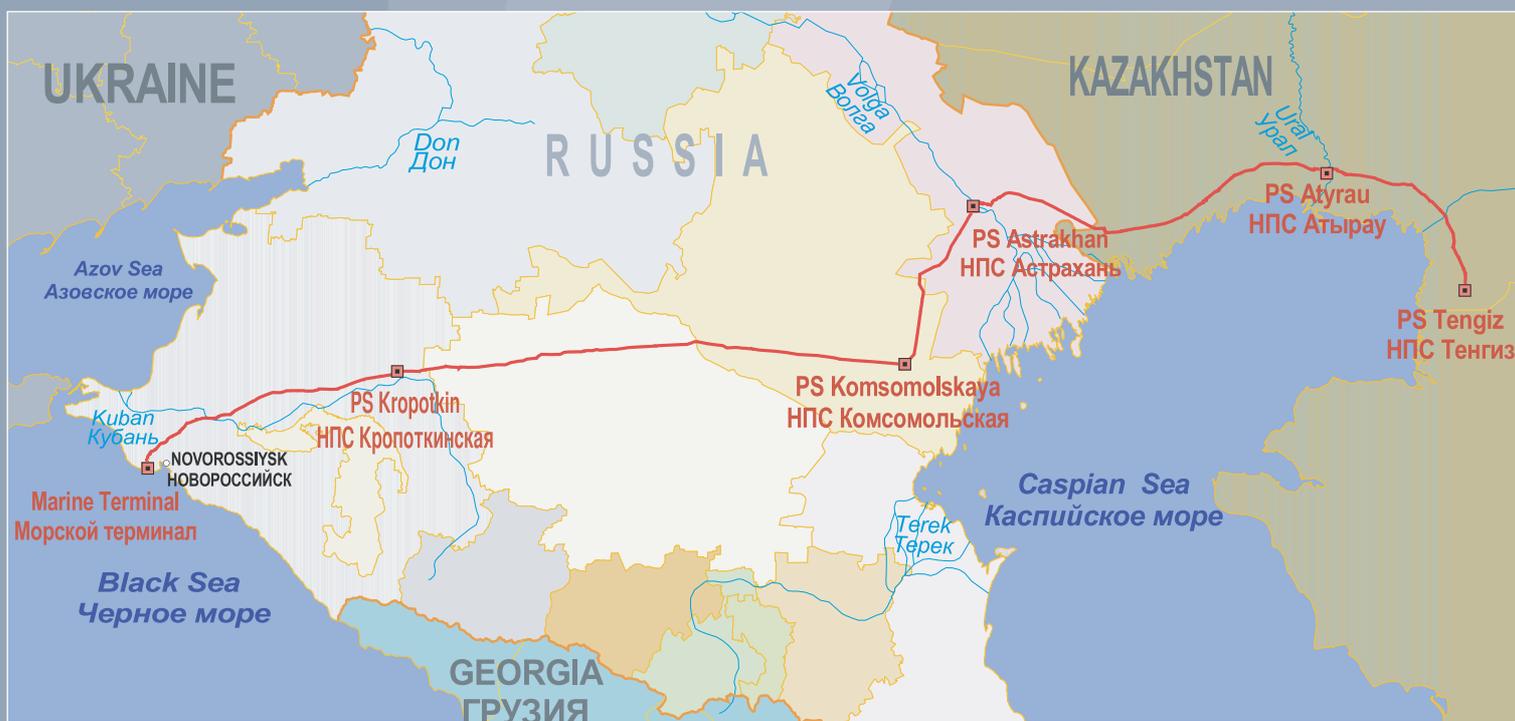


“Approval of CPC Expansion will be an early, positive example of global energy cooperation. Delay in approving will, on the other hand, erode value from the investment at a rate of at \$50 million a month”



**Caspian  
Pipeline  
Consortium**

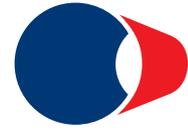
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# Caspian Pipeline Consortium

a new global energy supplier



In just four years, a major new export oil pipeline system has gone from start up to 650,000 barrels of oil per day delivered reliably and safely to world oil markets.

With the concurrence of its Shareholders, CPC will more than double its throughput to deliver 1.5 million barrels a day.

Originating in Kazakhstan, routing through Russia, owned and operated by Governments and international oil and gas companies, CPC defines what can be accomplished by global energy cooperation.



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## CPC Background

- The present corporate structure of CPC was formally agreed upon in December 1996 in the form of a contractually binding Shareholders Agreement entered into by the 11 Shareholders of CPC.
- The Shareholders include the original founding members of CPC (Russia, Kazakhstan, and Oman) joined by 8 Producing Company Shareholders representing 11 different multinational, Russian and Kazakh entities.
- The Producing Company Shareholders funded the entire \$2.67 billion cost of constructing the pipeline, pump stations and marine terminal and offshore loading facilities.
- The Russian Federation contributed unused pipeline assets valued at \$293 million, from the Transneft system in exchange for 24% Ownership in the Consortium. CPC spent \$145 million putting these assets into an operable condition.
- In 1998, a TEOC was approved by the Russian Government for the full development of the Project to 1.4 million barrels per day starting with the Initial Construction Project with capacity of 600,000 barrels per day.
- The Shareholders Agreement contractually committed all Shareholders to further expansion when Shareholder forecasts required the capacity.

## CPC Current Operations

- CPC is currently operating at rate of 650,000 barrels per day (including 130,000 barrels per day of Russian oil delivered by rail via Kropotkin).
- According to industry experts CPC's pipeline system is one of the safest and most technologically advanced in the world and has resulted in an outstanding Environmental, Health and Safety performance.
- Approximately 1,500 Russian citizens are employed by CPC for daily operations either directly (500) or through our contractors (1,000).

## CPC Contributions to Russian Federation

- To date, \$650 Million in taxes and other payments have been made by CPC to the Russian Federation.
- CPC exchanged the mothballed assets transferred by Russia for a loan note now valued at \$500 million.

“Full Expansion will see at least 1.4 million barrels per day with the potential for 1.6 million barrels per day — generating revenues of over \$2 billion a year”

- \$100 million is paid annually to Russian suppliers and Government entities.
- During the original construction period, the project employed up to 6,000 Russian citizens. 80% of materials and contractors were sourced locally.

### CPC Expansion

- Through the addition of 10 new pump stations, 6 new 100,000 cubic meter storage tanks, a third offshore loading system and some pipe replacement, CPC will be progressively expanded over a period of 3 years.
- Full Expansion will see at least 1.4 million barrels per day with the potential for 1.6 million barrels per day — generating revenues of over \$2 billion a year.
- Pay back on the investment for an Expansion will take around 2-3 years with all CPC investment loans (including current loans) repaid within 5 years of expansion completion.
- Delay in approving Expansion will, on the other hand, erode the value from the investment at a rate of at \$50 million a month.
- Approximately 25% of CPC's capacity will be used by Russian producers.

### CPC Expansion Negotiations

- The principal demands of the Russian Government for allowing Expansion of CPC to progress have been agreed upon, including ship-or-pay provisions, interest rate reduction, a tariff increase and much greater Government involvement in the management of CPC, including making the next General Director a nominee of the Russian Federation.
- Negotiations are at a point where final agreement is being held up by wrangling over implementation details of the package — form over substance.
- Further delay will continue to erode value from CPC with lost revenue estimated at between \$40 million and \$60 million for each month that Expansion is delayed.
- Approval of CPC Expansion will be an early, positive example of global energy cooperation.

