

Cooperation with Training Centers in Russia and Kazakhstan

Introduction

From July 4 to 12, 2005, Mr. Kazumasa Nakazawa, General Manager, and I, Tetsuji Kubota, Master Lecturers of the Training Department, visited Russia and Kazakhstan as part of the Cooperation with Technical Centers (TC) program. Our primary objectives were to provide advice concerning operations and the improvement of training systems, and to seek needs in those areas, with a view to contributing to human resource development in oil-producing countries. We also paid courtesy calls on relevant institutions in the two countries to introduce JCCP activities, solicit participation in JCCP training, and exchange views on the enhancement of training effectiveness.

Russia

We visited Lukoil Oil Company's

Nizhny Novgorod Refinery (former Norski Refinery) and engineering company located in Nizhny Novgorod (former Gorky), the third largest city in Russia, situated approximately 500 kilometers east of Moscow. We also paid a visit to Yokogawa Electric Corporation's Moscow Branch Office to obtain information on recent developments in Russia.

Lukoil Oil Company, Nizhny Novgorod Refinery

Lukoil is the largest vertically integrated oil company in Russia, and Nizhny Novgorod Refinery is one of Russia's largest refineries. The refinery changed its name from Norski to Lukoil in 2001. Lukoil and JCCP have a strong relationship dating back to 1992 when Russian participants began taking part in JCCP courses. In 2001, a seminar was

held at the Nizhny Novgorod Refinery under the JCCP expert dispatch program.

The meeting with Lukoil was held with the attendance of Mr. Victor G. Rassadin, General Director, and several other executives. The general director first gave an opening speech, in which he thanked JCCP for its patronage and for making this particular visit, and expressed his desire to further strengthen the bond between the two institutions. He acknowledged that Lukoil had temporarily discontinued participation of its refinery operators in JCCP courses due to a rash of rapid changes that took place, including an upgrading study of the Nizhny Novgorod Refinery to a deep conversion process. However, he stated that he would like to recommence their participation in JCCP courses from around 2007.



At Lukoil Nizhny Novgorod Refinery

In addition to regular courses, the General Director said that he is considering requesting a Study Tour program in Japan on processes related to new projects, DCS, power generation, and utility technologies. Because of its geographic location, Lukoil employees usually receive training in Moscow, Europe, and the United States. However, the Director General believes the opportunity to learn about Japanese culture, customs, and history is just as meaningful as acquiring the latest technologies, and therefore stated that he would like to send young refinery operators to JCCP courses on a continuous basis.

After our meeting with the General Director, Mr. Alexander Mitlyvich, Deputy General Director of HRM, escorted us on a tour of the refinery facilities. The instrument room was extremely modernized and equipped with a CCR unit and DCS which began operations last year. We also inspected the new training center, which was only recently completed in 2002. Fully outfitted with equipment related to various fields, the center trains as many as 2500 employees each year.

Lukoil Co., Nizhny Novgorod Design and Research Institute

The Design and Research Institute was initially established as an independent engineering company in 1951, when the above-mentioned refinery was first constructed.

When Lukoil refinery operators were unable to participate in JCCP courses, the Institute sent many of its engineers

to JCCP in their stead. The Personnel Department has control over education matters, and employs a personnel qualification and leveling system. The leveling test is conducted once every three years to determine and improve each employee's qualifications. In addition to in-house training, the Institute also sends its employees to a dedicated training organization in Moscow, as well as to training programs offered by manufacturers. However, it believes JCCP courses provide an ideal opportunity to learn the latest technologies of a foreign country.

The meeting was attended by many JCCP graduates, who were asked to prepare questions and requests in advance of the meeting. Some of their faces were very familiar to us, and we were filled with both pride and happiness in seeing them again through this TC program. Thanks to their cooperation, we were able to hold constructive discussions concerning issues on improving the effects of training. Finally, we thanked the Institute for its regular participation in JCCP courses, and requested their continued support of JCCP activities.



At Kazmunaigas

Yokogawa Electric Corporation Moscow Branch Office

At Yokogawa Electric Corporation's Moscow Branch Office, we met with Mr. Yoshida, President of the Branch, who filled us in on recent developments in Russia and the oil industry. We learned that the diffusion rate of DCS in Russia's refineries is about 25%, and pneumatic instrumentation is the mainstream. At present, the oil industry is making a shift from a cost-centered system based on a national production plan to a market economy. Since the Sakhalin Project, the Russian government is adopting a "Look East" policy, and seems to be promoting the purchase of Japanese products.

Kazakhstan

In Astana, the capital of Kazakhstan, we visited Kazmunaigas, the Central Dispatching Board of Oil and Gas Industry JSC (CDB OGI), KazTransOil, and the Lukoil Kazakhstan Branch Office.

Kazmunaigas

Kazmunaigas is a national oil and gas company under the Ministry of Energy and Natural Resources. It is a strategic governmental organization involved in both upstream and downstream oil and gas operations. Including its group companies, it has approximately 30,000 employees.

We held a meeting with the director of the personnel department of Kazmunaigas' Head Office and the director of the personnel department of a subsidiary exploration and production company, to introduce JCCP activities



At CDB OGI

and the purpose of our visit. Kazmunaigas has many dedicated training facilities among its group companies, and provides unified training. However, we encouraged its participation in JCCP courses as part of employee training related to its Atyrau Refinery project. Additionally, we asked the directors to name some of their education and training topics, and requested their consideration of Expert Service (ES) and Study Tour (ST) programs based on those topics.

Central Dispatching Board of Oil and Gas Industry JSC (CDB OGI)

CDB OGI is a government-financed public corporation which collects, analyzes, and disseminates information on the oil and gas industry. With an eye to legislating its oil standard in Russia by 2008 and bringing it closer to international standards, CDB OGI is presently studying the standards of various countries. We also learned that there is a department in charge of disseminating equipment purchase information to refineries and of monitoring fair transactions. In this way, CDB OGI also serves the important function of protecting national interests.

This past January, an ST program on Petroleum Marketing and Physical Distribution was held in Japan for a group of nine members headed by Mr. Kairat N. Kaipiyev, President of CDB OGI. In the meeting, the CDB OGI members thanked JCCP for its cooperation in the ST program, and expressed their wish to participate more

actively in JCCP regular courses as well. They said they would pass on information about JCCP to relevant companies for consideration of ES and ST programs in the future. Immediately upon our return to Japan, we received a letter from Mr. Kaipiyev stating his strong intention of CDB OGI participation in JCCP training in the future.

Throughout our stay in Kazakhstan, Ms. Kopbssynova Khatira, our contact in the country, supported us and arranged for our meetings, transportation, training, and welcome reception. We would like to extend our deepest appreciation to her for her warmhearted hospitality.

KazTransOil

KazTransOil is a company specializing in delivering oil from the oil fields to domestic and overseas destinations via oil pipeline, and generates earnings from transportation fees. The company has its own educational facilities, but since the work of piping engineers is a specialized field, it must consider future measures to foster larger numbers of engineers in

conjunction with the growth of the company.

The meeting at KazTransOil was attended by Mr. Nurbol S. Sultan, Deputy Director General, Ms. Saikhan Daziya Ehilkybakkyey, Director HRM Department, and other officers. We introduced JCCP activities, and solicited KazTransOil's participation in JCCP regular courses. In response, we received a reply from Mr. Talgat S. Taubaldiyev, First Deputy Director General, who expressed his strong intention of encouraging KazTransOil employees to participate in JCCP training.

Lukoil Kazakhstan Branch Office

Lukoil's Kazakhstan Branch Office is engaged in various activities, including oil exploration, increasing the number of wells, adjusting supply and demand of oil products, constructing gas stations, and creating joint venture organizations.

We met with Ms. Aigul B. Urazalieva, Human Resources Chief Expert, who had participated in a JCCP course in the past, and asked for his cooperation in JCCP activities.

Summary

This trip offered us a precious opportunity to experience for ourselves the energetic momentum of Russia, one of the superpowers of the BRIC Alliance now receiving worldwide attention. We felt some of that energy pouring into Kazakhstan as well. Given the recent energy development in Central Asia and the Caspian Sea region, the changes in the energy situation due to the Sakhalin project, and the refinery modernization projects



At KazTransOil

in Russia and Kazakhstan, there is clearly a growing need for external research, investment, and technical cooperation. The countries of Europe and the United States have indeed made a drastic advancement into Russia, but JCCP should also take this opportunity to expand its network through its powerful tool called training. We

believe maintaining contact with the leading persons of the companies we visited during this trip will be the key to achieving a stronger relationship with Russia and the surrounding countries.

Lastly, we would like to extend our gratitude to everyone who supported us during this trip, and in particular to Mr. Alexander B. Zhulidov, Deputy

Director of IBR, and Ms. Khatira of CDB OGI for their generous cooperation. We would also like to thank Mr. Murata of Yokogawa Electric Corporation and Ms. Bernikova of JSC VNIPINEFT for their warm hospitality.

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