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Press Release

Sakhalin Energy refocuses 2004 offshore pipeline construction programme

Yuzhno-Sakhalinsk, Russian Federation, 30 April 2004: Sakhalin Energy Investment Company Limited (Sakhalin Energy) today announced that it is to reschedule offshore pipelines construction work in the Piltun-Astokhskoye field pending further technical work that is designed to ensure minimal disturbance to the Western Gray Whale. Offshore pipeline construction work during 2004 will now be focused on the Lunskoye field and Aniva Bay further south, previously planned for completion later in the construction period.

The rescheduling of this offshore construction work will not affect the overall project schedule. First Liquefied Natural Gas (LNG) deliveries to customers are scheduled for 2007. The rescheduled section of pipeline is to be constructed in an area where the sea freezes each winter. Detailed seabed ice-scour surveys were completed in late 2003 and resulted in the need for an increased burial depth of the pipeline for further ice protection.

Constructing a deeper pipeline will entail the use of larger and therefore noisier dredging vessels than originally planned. Further acoustic and other technical work will be conducted during the summer of 2004 to resolve how to minimise disturbance during construction work to the whales, which are listed as critically endangered.

David J. Greer, Phase 2 Project Director for Sakhalin Energy, said today: "Sakhalin Energy wants to ensure that the Phase 2 project can be developed in line with our environmental standards and commitment to mitigate potential impacts to the Western Gray Whale."

"As a consequence, before construction of the Piltun pipelines start, further technical work will be executed to ensure that we have adequate protection measures in place. Meanwhile construction continues elsewhere enhancing progress towards delivery of LNG to customers in 2007."

Western Gray Whales migrate to the Sakhalin region and feed offshore Piltun, in northern Sakhalin, in the summer months.

Sakhalin Energy and other energy companies have been studying Western Gray Whales since 1996, drawing on the best available Russian and international scientific research and expertise. Sakhalin Energy has held three public consultation meetings on the whales in recent months and intends to review its whale protection measures with a range of stakeholders during 2004.

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Notes for editors

Sakhalin II Phase 2 is believed to be the largest foreign direct investment in Russia. The project includes two new offshore platforms, a gas condensate processing plant in the North of Sakhalin Island and two 800 km pipelines. The centrepiece of the project is a state-of-art LNG plant, comprising two trains each of 4.8 million tonnes per annum, located close to an oil and LNG export terminal in the ice-free south.

The project is expected to create 2,400 permanent and long term contractor jobs, about \$4.5 billion of Russian contracts for Phase 2 work, and generate value for the Russian Federation of up to \$45 billion.