



Published on *Ethical Corporation* (<http://www.ethicalcorp.com>)

## Gazprom Sustainability Report 2008-09: Read between the lines

Posted by Elaine Cohen <sup>[1]</sup> on Feb 25, 2011

The Russian gas giants first sustainability report is a solid piece of work, if lacking a little sparkle

Gazprom's first sustainability report portrays a rather different story to the one told in Roman Kupchinsky's 2009 paper: Gazprom's European Web. This alleges secrecy around Gazprom's potential control of the European energy landscape via nameplate gas companies throughout Europe as well as links to organised crime and political corruption. Clearly these are not activities Gazprom would relish disclosing in a sustainability report.

The question is whether Gazprom is a puppet of the Russian political machine – the Russian government still holds a 50.002% controlling stake in the company and is represented by six members on the 11-strong board. Or, has Gazprom been able to transition into a western-style market competitor that plays by the rules of a sustainable market environment?

Gazprom admits that its evolution has not been simple. It says: "The company followed a difficult path of stagewise transformation from a government agency, a ministry, into a commercial company, a global energy market player." Reading Gazprom's sustainability report, without looking too closely between the lines, we could be forgiven for thinking that this transition has been largely successful.

The world's largest natural gas producer, Gazprom has been issuing environmental reports

since 2002, nine years after its break from full government ownership to become an open joint stock company in Russia. This now is the company's first full sustainability report, covering years 2008 and 2009.

## Big operations

Gazprom's main activities are the geological exploration, production, transportation, storage, processing and marketing of gas. It is a giant in the Russian economy, employing nearly 400,000 people, holding 18% of global gas reserves, operating 600,000km of pipeline and supplying nearly 70% of Russian consumers and export markets with more than 400m cubic metres of gas.

The implications of Gazprom's transformation are not trivial by any means. Establishing a global position in a competitive capitalist market and contributing to local socio-economic stability while distancing its reputation from former Kremlin political dictates will have demanded more than the average level of leadership skills.

Gazprom's report is an impressive 104 pages with no frills and no special effects, just plain, direct disclosures. It's a rather dry read – hardly any stories, case studies or warming community photos – but it is detailed and meticulous. An example of this attention to detail is the chronicle of a safety incident. At 10.23am on July 24 2008 in Moscow, an explosion followed by a gas blaze took place at the Petrovsk to Novopskov gas trunkline. By 11.05am the following day, Gazprom teams completed repairs and resumed gas supplies to consumers. Forty-four metres of pipe were replaced during the repairs.

The report is built around four sections – reliability, rationality (energy saving in Gazprom's operations), safety and responsibility – supplemented by commentaries on energy markets and Gazprom's business from external experts. As you might expect, these are favourable towards Gazprom, praising the company for its "new level in relationships with environmental NGOs", for being a "reliable partner" (to BASF) and for its "efficient activities".

The report also includes a discussion of strategic issues and an explanation of Gazprom's plans (new geographies, new technologies), expressed in the context of natural gas as an environmentally preferable alternative to oil and coal.

In terms of sustainable energy, which is perhaps the most material issue for Gazprom, the company boasts several achievements including energy savings reported and planned through to 2020, development of new energy sources such as coalbed methane, shale gas and solar energy, and the use of natural gas as a transport fuel with gas-powered vehicles yielding 30% lower emissions than diesel fuel.

However, the company's overall gross air emissions remained stable between 2008 and 2009, suggesting it has more work to do to advance its own sustainability practices.

The report contains a comprehensive assurance statement written by the council for non-financial reporting of the Russian Union of Industrialists and Entrepreneurs. RUIE has done as good a job as any with a four-page assurance statement including recommendations for future reporting. However, a more neutral voice on assurance might have offered greater credibility. RUIE is the mouthpiece of Russian industry associations and might be expected to provide positive assurance for the member companies it represents.

Overall, Gazprom presents a comprehensive, transparent picture of its operations and offers a credible picture as a global competitor in (sustainable) energy markets. Assuming of course that there is nothing hidden between the lines.

### Snapshot:

<b>Follows GRI?</b>	Yes, GRI B level, checked by GRI.
<b>Assured?</b>	Yes, thoroughly.
<b>Materiality analysis?</b>	No
<b>Goals?</b>	No
<b>Targets?</b>	No
<b>Stakeholder input?</b>	Yes
<b>Seeks feedback?</b>	Yes, contact details provided.
<b>Key strengths?</b>	Transparency on strategy.
<b>Chief weakness?</b>	Technical style.
<b>Pleasant surprise?</b>	Interesting commentaries from stakeholders.

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**Links:**

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