

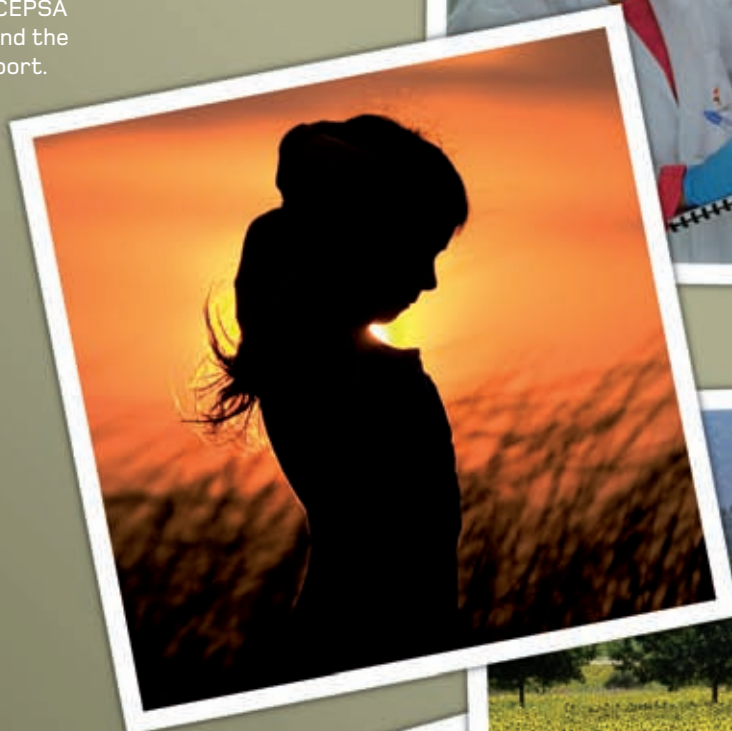
# 2008

## Corporate Responsibility Report Summary





This document is a summary of the issues that CEPSA considers most important to its stakeholders. For further information please visit the CEPSA website [www.cepsa.com](http://www.cepsa.com), where you will find the 2008 Corporate Social Responsibility Report.







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## KEY ECONOMIC, SOCIAL AND ENVIRONMENTAL INDICATORS

Economic	2008	2007	2006
<b>Financial and operating</b>			
Crude oil production (working interest <sup>1</sup> ) (BOPD)	121,866	115,955	113,923
Processed crude (BOPD)	437,487	432,494	431,386
Crude oil sales (BOPD)	21,679	19,820	23,866
Products sales, excluding crude oil sales (millions of tonnes)	29.3	30.4	30
Sales revenues excluding excise taxes on oil & gas (millions of euros)	22,831	18,888	18,474
Recurring operating income <sup>2</sup> (millions of euros)	869	956	1,089
Capital & exploration expenditures (millions of euros)	1,579	635	581
<b>Created value</b>			
Taxes paid <sup>3</sup> (millions of euros)	2,771	2,994.8	2,862.8
Generated economic value (millions of euros)	25,488.7	21,470.5	21,063.7
Distributed economic value (millions of euros)	24,627.2	20,947.8	20,368.6
Added value (millions of euros)	2,055	1,965	2,082
Retained economic value <sup>4</sup> (millions of euros)	861.5	522.7	695.1
Dividends paid to shareholders in the year (millions of euros)	309	341.9	346
Dividend agreed in each year (euros)	1	1.25	1.25
Profits for personnel <sup>5</sup> (millions of euros)	544	493	477
Government grants <sup>6</sup> (millions of euros)	0.63	22.74	2.10
<b>Social</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Personnel</b>			
Number of employees	11,815	11,398	11,096
New employees	1,490	1,204	1,156
Employees departures	1,047	1,173	914
Employees turnover	554	517	458
Average training hours per employee	57.94	45.86	46.61
<b>Occupational health and safety</b>			
Number of lost-time occupational accidents	112	112	119
Lost-time accident frequency rate (own personnel)	5.27	5.40	6.46
Lost-time accident frequency rate (own personnel and contractors)	4.65	4.89	5.66
Common illness absenteeism (%)	3.60	3.66	3.78
Absenteeism (%)	5.46	4.82	5.08
Occupational health and safety training hours for own personnel	125,483	102,366	80,113
<b>Local communities</b>			
Investment in Corporate Responsibility initiatives (millions of euros)	4.2	3.2	3.2
<b>Environmental</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b>Emissions by business area</b>			
Refining: (t of CO <sub>2</sub> equivalent / t of crude oil treated)	0.147	0.147	0.150
Petrochemicals: (t of CO <sub>2</sub> equivalent / t of product obtained)	0.202	0.223	0.222
Exploration and Production: (t of CO <sub>2</sub> equivalent / t of net oil)	0.062	0.044	0.065
Cogeneration: (t of CO <sub>2</sub> equivalent / total MWh exploited)	0.256	0.239	0.241
Combined Cycle Power Plant: (t of CO <sub>2</sub> equivalent/MWh net electricity produced)	0.404	0.392	0.406
CO <sub>2</sub> emissions (kilotonnes)	6,144	5,999	6,030
Environmental training hours	3,163	6,601	3,959

1 Total working interest, calculated before applying contractual conditions in cases of production distribution contracts.

2 Excluding gains or losses from inventory prices fluctuations and other non-recurring income.

3 Includes special hydrocarbon tax, other taxes, corporate income tax and taxes on sales of certain hydrocarbons to retailers.

4 Retained economic value, difference between generated and distributed economic value.

5 Includes wages and salaries, contributions and provisions for pensions, social security and training expenses.

6 Includes grants from the European Union, autonomous regional governments, the Spanish government and others.



## MESSAGE FROM THE CHAIRMAN

It is a privilege for me to introduce the 2008 CEPSA Corporate Responsibility Report in my first year as Chairman of the Company. I hope that this report will give everyone interested in knowing about CEPSA's activities in this area the opportunity to develop a comprehensive vision of our commitments, achievements, and aspirations for the future.

The Company operates in the energy sector, which is exposed to far reaching changes and challenges to which the companies try to respond to, through different measures aimed to help guarantee current and future demands.

With almost 80 years of experience, CEPSA has demonstrated its ongoing capacity to adapt and work towards the best solutions against a backdrop of constant change. Despite the current difficult economic situation, the Company has continued investing in projects with a wide range of objectives, such as ensuring energy supply, reducing our atmospheric emissions, producing energy with greater efficiency, and recruiting and training the personnel we need in order to meet these goals.

All of these projects help us to stay true to one of the main commitments of companies with society: the sustainable creation of wealth. In this regard, CEPSA plays an important role within the economy. The Company creates value for its stakeholders in many ways: to its shareholders, not only to repay their financial support, but also to encourage investment; to its employees, remunerating their talents and merits, rewarding their loyalty and making sure that their time with the Company represents added value for their professional career; to its customers, offering products and services with the required quality standards; to its suppliers, who form part of our value chain. In short, CEPSA generates wellbeing and progresses in all the areas in which it operates.

The Company is also committed to supporting social initiatives in the communities in which it is present, geared towards meeting the needs of beneficiaries and highlighting the Company's commitment to society.

Environmental respect is also a priority for CEPSA. Minimising the environmental impact of the Company's operations is a strategic issue which is tackled from various angles, including investment in technological innovation, process safety, improvements to facilities and energy saving, and efficiency.

We would be unable to carry out the projects outlined in this report without the help of more than 11,000 professionals who, with their continuous effort, help us to achieve our goals.

I would encourage you to read our 2008 Corporate Responsibility Report and hope that in the pages to come we have once again managed to successfully convey our values, commitment, and the way in which we operate.

Santiago Bergareche Busquet  
CEPSA Chairman

## INTERVIEW WITH THE CEO



**How has CEPSA implemented corporate responsibility within its business strategy, and what have been the Company's main areas of action in 2008?**

CEPSA is committed to carrying out its business activity in a responsible, honest and transparent manner when dealing with all the issues that affect the Company. Corporate responsibility is more than just an obligation for us: it is a key part of our strategy through which we respond to the expectations of our stakeholders and of society as a whole.

Our lines of action and the way in which they are implemented are detailed in this report, which is a summary of our management in the economic, social, and environmental spheres.

We consider financial aspects to be crucial for any company, as obtaining profitability is fundamental to continue growing and generating wealth for our stakeholders.

With regard to the environment, CEPSA continues to implement measures to optimise energy efficiency, which is not only essential for the profitability of our businesses, but is also the best option for reducing Greenhouse Gas emissions.

The Company is aware of the needs of society, particularly in the areas in which we operate. We therefore support social initiatives and, where possible, work to meet and respond to the specific demands and expectations of the different communities where we work and live.

**Oil has become a talking point within many forums. From an environmental perspective the issue is focused on replacing oil with alternative energy sources. Do you consider this feasible in the medium term?**

We are all aware of the role oil has played in the 20th century. In addition to being one of the world's most important sources of energy, it has also shaped the way in which society has developed.

The use of oil and its derivatives is currently being questioned for reasons more related to secure supply than to the environment.

Oil companies play a key role in facing the challenge of offering a safe energy supply which is accessible and socially acceptable.

When considering the replacement of oil by other sources, I feel that bio-fuels should be included in the short-term options for substituting derivatives consumption for fuels purposes. Both Spain and the European Union have set targets for the progressive implementation of these fuels in the coming years. In line with this trend, CEPSA produces bio-fuels and supports the use of bio-diesel which, in addition to its "bio" characteristics, can also alleviate the significant diesel-oil deficit currently faced by our country.

It must not be forgotten that bio-fuels generate as much or sometimes more Greenhouse Gas emissions than the fuel used by a car or a truck. However, the raw materials used in these fuels are produced in a renewable manner which does not affect biodiversity, thereby offsetting the total emissions balance.

I believe that public demand for fossil fuels will continue in the short and medium term, as there are no acceptable alternatives in terms of amounts or financial conditions to replace these fuels.

To sum up, it is important to give priority to the uses of oil which are difficult to replace, such as derivatives for transport and petrochemical products, which are crucial for the construction, food, textile and pharmaceutical industries, among others.

Different options will have to be sought when it comes to other uses for oil. Given the stage that techniques in this area have currently reached, I feel that these will not come from a single source of energy, but rather will be based on a mix of initiatives that develop partial alternatives.

**Climate change and atmospheric emissions are true social concerns. What moves has CEPSA made in this regard?**

Refineries and chemical plants generate emissions, and this is an inherent factor to the process for manufacturing the products that society requires. The production of petrol, automotive diesel-oils, fuels for tankers and aircraft, butane, propane and a number of other products required by a large number of industries requires physical and chemical transformations which take place at high temperatures, thereby producing Greenhouse Gases.

CEPSA is committed to reducing these gases, and is convinced that the best way to meet this commitment is by investing in technology and innovation to ensure that the processes we employ to create our products use as little energy as possible.



Despite this improved efficiency, our emissions have increased due to more severe processes required to manufacture better products. This was seen, for instance, in the total elimination of sulphur from land fuels since the start of 2009, which led to a rise in CO<sub>2</sub> emissions. Despite this, our largest facilities have still complied with the National Emission Allowance Allocation Plan, and all have Integrated Environmental Authorisation.

**Safety is important for everyone living near to industrial centres. Companies claim that everything is under control and there is no reason to be alarmed. However, you must agree that these concerns are reasonable.**

This is a logical concern. CEPSA has a total of nine manufacturing facilities, six in Spain and three located abroad, where transformation work is carried out at high temperatures, with the risks inherent to any kind of industrial activity.

The technology currently used in these facilities, however, is subject to rigorous safety measures. Reviews are regularly performed by safety engineers, as well as crossed audits allowing the incorporation of best practices from other companies, and audits related to OSHAS 18001 certification.

The people who work in our refineries and chemical plants are highly trained to resolve any kind of incident that may arise, and receive ongoing training through specific courses and emergency simulations. Everyone at CEPSA knows that safety is a priority for us all.

We are particularly satisfied that, the levels of accidents affecting our own and contracted personnel has decreased significantly each year.

**An important factor for companies is to establish relationships of trust with the communities where they operate.**

**How has CEPSA approached this task?**

It is important to get to know your "neighbours", and it is crucial that long-term fluent and stable relationships founded on trust are established with them.

To ensure maximum integration of our company in the areas where we are present (with the lowest possible impact from our activity), we have a number of dialogue mechanisms in our plants, such as neighbourhood committees, as well as interviews and meetings with the communities in which we plan to carry out our exploration and production activity.

If companies and society are to successfully live together, we also consider that wealth should be generated through job creation and contracting goods and services at a local level, contributing to prosperity in the area.

Finally, the Company collaborates with institutions, bodies, councils and other organisations in projects aimed at helping the most needy collectives, preserving popular culture and traditions, encourage base sports and raising awareness and respect for our surroundings.

**Is there any particular issue that you feel is important to raise?**

Oil and petrochemical industries such as CEPSA are essential when it comes to maintaining and continuing to develop the level of wellbeing that we have all worked so hard to reach.

Companies must meet all legal requirements, and should go even further to make sure that their presence is a constant source for the generation of value within the geographical areas in which they are present. CEPSA puts considerable effort into ensuring that industry can exist in harmony with the surrounding environment. This is our aim, and this report details the initiatives that we are carrying out to reach this goal.



Dominique de Riberolles  
CEPSA CEO

Company profile

# 01

CEPSA\_07

Milestones and recognition 2008\_08



Further information in the 2008 Corporate Responsibility Report available at [www.cepsa.com](http://www.cepsa.com)





## CEPSA

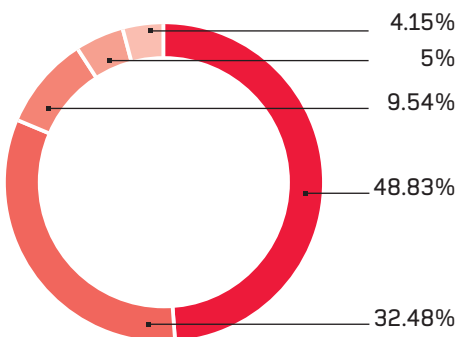
Compañía Española de Petróleos, S.A. is an industrial group operating at every stage of the oil value chain; from oil and gas exploration and production to the marketing of oil derivatives.

Its Petrochemicals division, which is highly integrated with the Refining division, manufactures and markets raw materials for products with added value used by a large variety of industries. The Company also engages in other activities in its field, such as oil and gas exploration and production, natural gas and electricity.

CEPSA is one of Spain's top companies and, through gradual internationalisation of its activities, also operates in Algeria, Brazil, Canada, Colombia, Egypt, Panama, Peru and Portugal, marketing its products worldwide.

### CEPSA Shareholding Composition

(At 31 December 2008\*)



48.83% ■ Total  
32.48% ■ Banco Santander  
9.54% ■ IPIC  
5% ■ Unión Fenosa  
4.15% ■ Free float

### Activities:

- Crude oil and natural gas exploration and production.
- Refining, distribution and sales of oil derivatives.
- Manufacture and sale of petrochemical products.
- Natural gas and electricity generation, purchases and sales. Participation in the construction and operation of a new offshore gas pipeline.



\* The following events relating to CEPSA's shareholding structure occurred subsequent to 31 December 2008:

On 31 March 2009, the Grupo Santander filed a Significant Event informing the Spanish National Securities Market Commission (CNMV) that it had reached an agreement to sell its 32.5% interest in CEPSA to the International Petroleum Investment Company (IPIC), from the emirate of Abu Dhabi.

On the same day, Unión Fenosa also filed a Significant Event with the CNMV announcing the sale of its 5% interest in CEPSA, in implementation of the joint sale mandate. The sale was governed by the same terms as those set out in the Significant Event Notification filed by the Grupo Santander.

Finally, in a document entitled "Other Information", the IPIC notified the CNMV that conditions for the transaction outlined in the Significant Event sent by the Grupo Santander included the requirement that the CNMV exempted the company from making a public share offer because the circumstances foreseen by article 4.2 of Royal Decree 1066/2007 were met as a CEPSA shareholder continued to own a larger share than the interest that the IPIC would obtain from the purchase and sale of the Santander Group and Unión Fenosa's shares. Without prejudice to the above, this document also stated that this condition could be renounced by the IPIC.



## MILESTONES AND RECOGNITION 2008

### Exploration and Production

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- Transfer agreements were signed for blocks 114 and 131 in the Ucayali Basin in Peru.
- 70% of the exploitation and exploration rights for the "Caracara" block were obtained and another four contracts were signed for blocks in the Llanos Basin in Colombia.
- An agreement was signed with the Algerian company SONATRACH extending CEPSA's contract for crude oil production in the RKF field for an additional five years until 2013.

**Increase in oil exploration activities.**

### Supply and Refining

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- Refineries ran at 99% of their nominal capacity.
- The "Tenerife" refinery was adapted to produce petrol with a sulphur content below 10 parts per million.
- 65% of the project to increase the middle distillate capacity of the "La Rábida" refinery was completed.
- The hydrogen, amine and sulphur plant at the "Gibraltar-San Roque" refinery began operations.
- 116,000 tonnes of biocomponents were introduced to petrol and diesel.

**Record crude oil distillation total of 22.1 million tonnes compared to a nominal capacity of 22.2 million tonnes.**

### R&D&I

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- The CEPSA Research Centre was opened in the Tecnoalcalá park in Madrid.

### Distribution and Marketing

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- CEPSA acquired TOTAL's network of service stations in Portugal and rights to sell TOTAL and ELF lubricants and other oil derivatives.
- The Company's range of containers was completed with the introduction of a new, lighter butane bottle with a chip for monitoring fill-ups, useful life and route.
- The Company began producing bitumen from rubber powder obtained by recycling disused tyres.

**With the acquisition of TOTAL's activities in Portugal, CEPSA strengthened its commercial supply and logistical position in the Iberian Peninsula.**



## Petrochemicals

- ERTISA, INTERQUISA and PETRESA merged into a single company called CEPSA Química. This new organisational model increases the competitiveness of CEPSA's petrochemical activity in a demanding market.

The petrochemicals subsidiaries merged into a single company: CEPSA Química.

## Natural Gas and Electricity

- MEDGAZ completed the laying of the underwater gas pipeline.
- CEPSA Gas Comercializadora's market share increased from 8.6% in 2007 to 10.9% in 2008.

MEDGAZ finished laying the underwater gas pipeline.

## Recognition

- CEPSA Química Bécancour's<sup>7</sup> Energy Recovery project<sup>8</sup> won first prize at the 19th Concours Énergie, organised by AQME (*Association québécoise pour la maîtrise de l'énergie*), which recognises the best energy efficiency projects.
- The "Prêmio Polo de SSHMA –Segurança, Saúde, Higiene e Meio Ambiente– empresa de Excelência" prize, the maximum recognition in the field, was awarded to DETEN Química. DETEN competed against the 19 other finalists from the Camaçari Industrial Complex.
- The Spanish Association for Standardisation and Certification (AENOR) awarded the "La Rábida" refinery the European Excellence 500+ seal for its management system, in accordance with the EFQM Excellence Model. This is the only company in the Spanish oil sector to receive this quality certification.
- The "La Rábida" refinery obtained the Doñana 21 label, certifying the company's responsible day-to-day management through compliance with international quality requirements and respect for the environment and its social and economic surroundings.
- The Applus+ certification committee awarded CEPSA the ISO 27001 for information security management systems (ISMS). The scope of this certification is: "the definition, implementation, administration, and monitoring of the Managed Information Security System provided by CEPSA to the organisation from its headquarters in Madrid".

The "La Rábida" refinery was awarded the European Excellence 500+ seal.

<sup>7</sup> Until April 2009 this Group company was called PETRESA Canada INC.

<sup>8</sup> More information on this project can be found at <http://www.aqme.org/finalistes2008.aspx> in the Prix du jury section.



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## Our commitment

To be a growing company that creates jobs, generates wealth and is committed to: creating value and safeguarding shareholders' interests, offering quality services and goods to our customers, meeting the needs of our professionals, establishing a framework of trust and collaboration with our suppliers, the wellbeing of society and, more specifically, the communities in which we operate; all with the maximum respect and minimum impact for the environment.



## 2008 Milestones<sup>9</sup>

- Consultation with the Company's stakeholders.  
Level of achievement:  100%
- Advances have been made in the initiatives undertaken to meet stakeholders' expectations.<sup>10</sup>
- Progress has been made in the application of the 10 Principles of the Global Compact.<sup>10</sup>
- Measures have been implemented to raise employee awareness in the area of corporate responsibility.  
Level of achievement:  100%

## Our understanding of corporate responsibility

CEPSA believes that corporate responsibility is about achieving operational excellence in business management, improving in areas in which it has experience and responding to challenges that arise to adapt to social requirements and expectations. Its conduct is based on the Mission Statement, Corporate Outlook and Founding Principles.



<sup>9</sup> Information on the initiatives carried out to achieve 2008 milestones and 2009 challenges is disclosed throughout the report.

<sup>10</sup> As several projects have been undertaken to meet stakeholder expectations and comply with the 10 Principles of the Global Compact, the level of achievement of these milestones is reflected throughout the Report in the information on the respective initiatives.

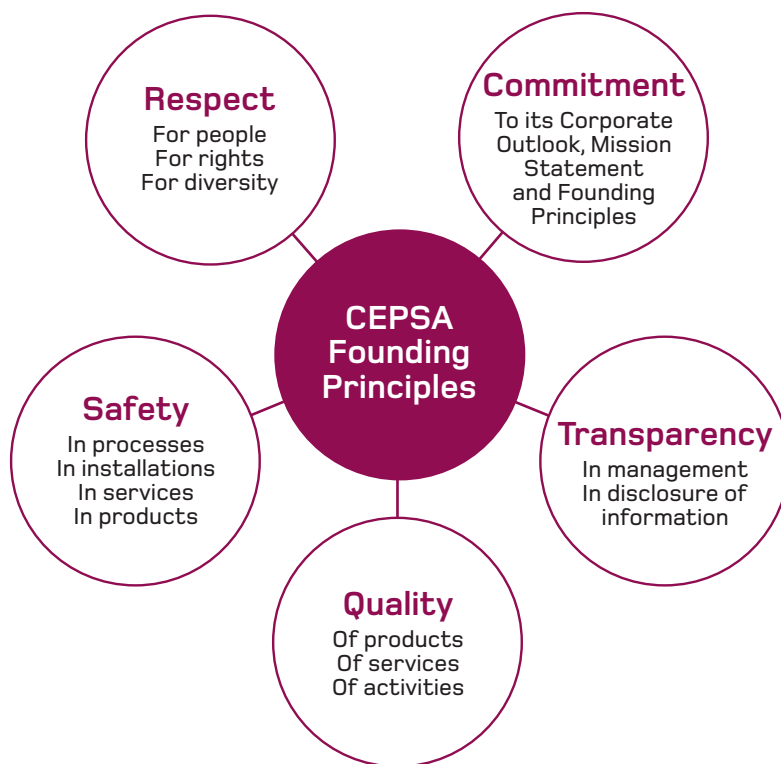


## Mission Statement, Corporate Outlook and Founding Principles

The Company is convinced that its capacity to generate wealth is inextricably bound to its ability to understand society's expectations. This is reflected in its Mission Statement: "We are a competitive energy and petrochemicals company committed to society, the environment and customer satisfaction".

In its commitment to move forward along this path, the Company has established its Corporate Outlook: "To be responsible in managing resources and in all initiatives geared towards our stakeholders".

The Founding Principles form part of the Company's culture. They aim to secure the trust of stakeholders, make it possible to comply with our Mission Statement and act as a support to fulfil our Corporate Outlook.

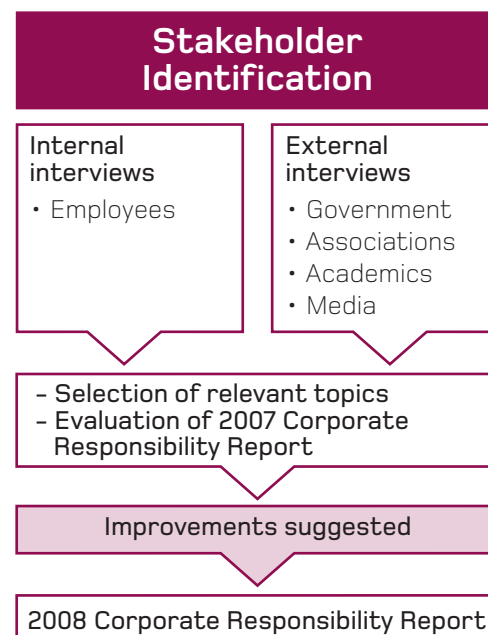


## CONSULTATION WITH STAKEHOLDERS

The views of the Company's stakeholders reflect society's demands regarding its activities and it is therefore essential that the Company be aware of their concerns and take them into consideration. Dialogue with stakeholders, based on transparency in management and the disclosure of information, is a key component of CEPSA's corporate responsibility strategy, promoting, as it does, a permanent flow of communication.

When determining the areas in which progress is required, the Company must first identify the expectations of its stakeholders and subsequently establish the commitments to be made and met.

Further to the 2007 report, CEPSA has implemented a process of discussion with certain stakeholders. A number of recommendations have been made as a result of this process, which are aimed at consolidating the Company's performance in the area of corporate responsibility and at meeting demands for information through the 2008 Corporate Social Responsibility Report.







## CORPORATE GOVERNANCE MODEL<sup>11</sup>

CEPSA's Corporate Governance policies and procedures provide support and set lines of action to ensure that the organisation as a whole achieves the overall goals of the Company and that the interests of its shareholders are protected. They are therefore focused on the following objectives: creating value; customer satisfaction; improvement in environmental performance, energy efficiency, ethical conduct and safety.

### Shareholders:

- Meet once a year.
- Adopt agreements which enter into force on the date of their approval and are mandatory for all Company shareholders and employees.
- Discuss and adopt agreements on issues of strategic interest for the Company.

### The board of directors:

- Determines CEPSA's strategic directions and economic objectives.
- Ensures that the Company responds to the concerns and needs of the society in which it operates.

## RISK MANAGEMENT

Certain unforeseen circumstances related to activities or products managed by CEPSA companies may have an adverse impact on people, goods or the environment.

Senior management and general managers of the Company's different business areas regularly monitor and control these risks. The environmental protection, safety and quality committee (PA.S.CAL.) is responsible for regularly reviewing the respective risks in this area and proposing any necessary measures to adapt or modify policies.

CEPSA also has a management system, based on a regulatory framework, which comprises basic procedures and manuals that guide the conduct of its employees, reinforcing internal control and thereby preventing unethical conduct.

Risks associated with CEPSA	
<b>Market risks</b> Reflect the trends and volatility of oil, natural gas and oil-derivative prices, and the manufacturing and sales margins.	<b>Financial risks</b> Derive from the financial market performance (changes in exchange rates and interest rates).
<b>Environmental and industrial risks</b> Environmental and industrial risks stem from atmospheric emissions, water discharges, waste generation or risks related to the safety of the facilities and use of company products.	<b>Risks due to possible changes to prevailing legislation</b> Risks due to changes in legislation that could affect the structure and results of the Company.
<b>Asset risks</b> Relate to material damages (such as machinery and control of crude exploration and production wells), employee injuries due to accidents at work, loss of profits due to material damages, civil liability due to personal or material damages and loss or damage during the transportation of crude oil, products and equipment.	
<b>Customer credit risks</b> Customers defaulting on the payment on commercial loans.	<b>Geological risks</b> Stemming from exploration activities.
<b>Unethical conduct</b> Due to dishonest practices.	<b>Other risks</b> Comprise procedures relating to the business, including legal proceedings, tax and competition, and tax inspections.
Crisis response	
Crisis Communication Management System	

<sup>11</sup> Further information in legal documentation and the CEPSA 2008 Corporate Governance Report at [www.cepsa.com](http://www.cepsa.com).



## CEPSA'S POSITION ON PUBLIC POLICIES

In 2008 CEPSA continued to participate and collaborate in forums, congresses and sector-related associations<sup>12</sup>, taking part in meetings and round tables to discuss and agree on common sector positions on matters affecting the Company.

The resulting positions serve as a support for discussions with state organisations and the entities at European level.

In 2008 CEPSA focused its initiatives on the following issues:

- Energy policy in Europe.
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances)<sup>13</sup>
- Fuel Quality Directive.
- Management of used oils.
- Biofuels.
- Integrated Pollution Prevention and Control: IPPC Directive.
- Greenhouse Gas management.<sup>14</sup>



### Energy policy in Europe

Since the European Commission published its Green Paper "A European strategy for sustainable, competitive and secure energy" in 2006, it has continued working to establish specific measures to achieve the goals set out in this document.

In January 2007 it published an "energy package", which was supplemented in January 2008 by a further document specifying the objectives to be reached by 2020: improving energy efficiency, reducing the demand for primary energy by 20%; ensuring that 20% of total primary energy consumed derives from renewable sources; and decreasing GHG emissions by 20% compared with 1990 levels.

Through EUROPIA, and more specifically through its participation in the ENPAG (Energy Policy Action Group), CEPSA has collaborated actively with the European Commission and the European Parliament. The directives approved on 17 December 2008 on renewable energies and the review of the GHG emission trading scheme, reflect, to a reasonable extent, the political objectives and proposals of the European refining industry.

In May 2008 EUROPIA and the European Commission launched the "Save more than fuel" campaign, which is aimed at the European transport sector. CEPSA has participated actively in this campaign, which sets out to demonstrate the energy saving potential of this sector.

### Fuel Quality Directive

On 17 December 2008 the European Parliament voted on the Fuel Quality Directive, which was approved by a large majority. This directive establishes the technical specifications for transport fuels, a matter of considerable relevance to CEPSA, with a view to reducing GHG emissions and thereby limiting their impact on human health and the environment.

The aforementioned directive is the result of an agreement between the European Commission, the European Council and the European Parliament, and follows the proposed review of directive 98/70/CE, also known as the "Fuel Directive", launched by the Commission on 31 January 2007, which largely included the proposals put forward by EUROPIA. However, there are still certain points of concern for the sector which are currently under study by the Commission.

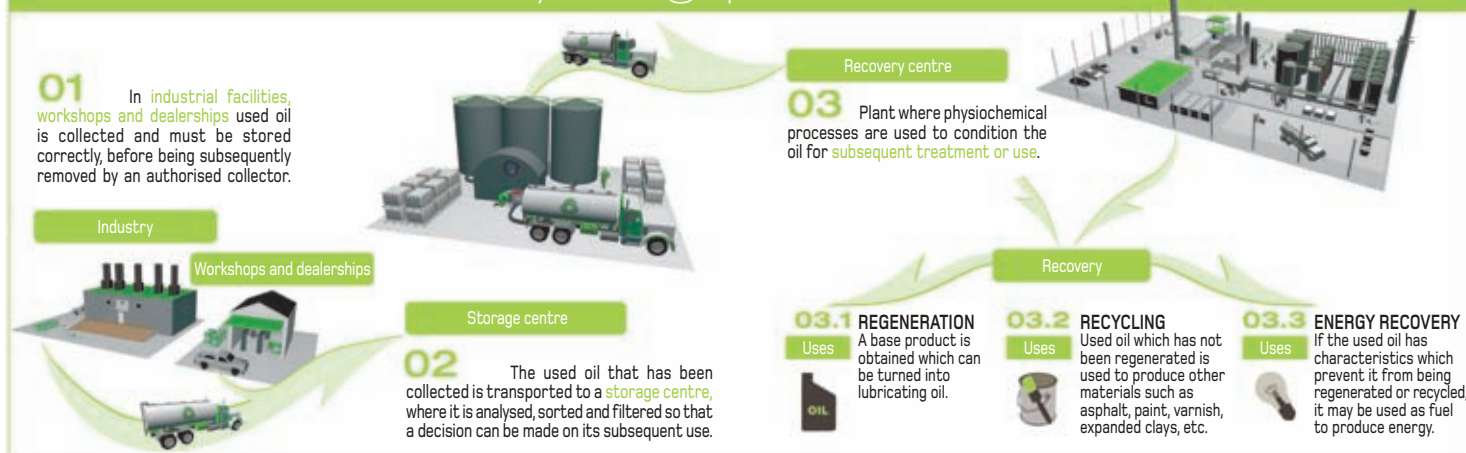


<sup>12</sup> ENERCLUB, World Energy Council, AOP, FEIQUE, ACOGEN, ASELUBE, EUROPIA, CONCAWE, CEFIC and OME, among others.

<sup>13</sup> Information on REACH is included in the chapter on Customers.

<sup>14</sup> Information on Greenhouse Gas management is included in the chapter on Greenhouse Gases.

# The used oil recycling process



Source: SIGAUS

## Used oils

The used oils management system SIGAUS was created following the entry into force of Royal Decree 679 of 2 June 2006 regulating the management of used industrial oils. CEPSA is a founder and member of the board of SIGAUS. The objective of the SIGAUS system is to guarantee and finance the collection and treatment of selected

used oils generated by the consumption of industrial oils in the Spanish market.

SIGAUS is an important tool for ensuring compliance with the ethical principles on environmental protection to which CEPSA is committed. It also facilitates compliance with prevailing legislation for Company customers, saving them time in the area of waste management.

In November 2008 the European Parliament and the European Commission published a new directive on waste (2008/98/EC), which substitutes prior directives. From December 2010, EU member states must incorporate this directive into their respective national legislations. This new directive does not substantially differ from RD 679/2006, prevailing in Spain.

## Biofuels

The use of bio-components in fuels is intended to reduce dependency on oil and decrease GHG emissions.

CEPSA has made its commitment to this issue clear through its close collaboration with AOP (National Oil Industry Association). In 2008 the Company remained committed to the use of bio-components in the manufacture of automotive petrol and diesel, continuing to incorporate bioethanol into its petrol through the manufacture of ETBE (an oxygenated component blended with petrol) and promoting the use of biodiesel to reduce dependency on oil and reduce imports of diesel oil, of which there is a shortage in Spain. During the year, it incorporated 116,000 tonnes of bio-components into its fuels.

## Integrated Pollution Prevention and Control: IPPC directive

This directive regulates industrial emissions throughout the European Union. It is also known as directive 96/61/CE (IPPC), and was revised at the end of 2007, leading to directive proposal COM (2007) 844 on industrial emissions.

Through its participation in EUROPIA at European level, and AOP at domestic level, CEPSA works to report to the governments, both in Madrid and in Brussels, on different issues of concern to the sector.





## Energy supply

# 03

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## Our commitment

Energy availability is a crucial factor for the functioning of modern economies, as well as influencing economic growth and prosperity. As an energy company, CEPSA plays an important social role of supplying society with energy, and the stability of this supply is a primary responsibility.



## 2008 milestones

- Increase in the level of reserves and crude oil production.  
Level of compliance:  100%
- Compliance with the deadlines established for 2008 for the construction of new middle distillate units in the "La Rábida" refinery (kerosene and diesel).  
Progress:  65%
- Incorporation of 116,000 tonnes of biocomponents in petrol and diesel products.  
Level of compliance:  100%
- Completion of the underwater stretch of the MEDGAZ gas pipeline.  
Progress:  85%

## 2009 challenges

- Increase the current level of reserves and crude oil production.
- Comply with deadlines for projects related to increasing middle distillates in refineries, reaching the target of implementation during 2009 and 2010.
- Comply with the objective of incorporating 3.4% (calorie equivalent) of biocomponents in fuel.

## INTERNATIONAL SITUATION

There is no doubt that oil was one of the driving forces behind development during the last century. Among a host of other milestones, this energy source allowed the mass transportation of both goods and people.

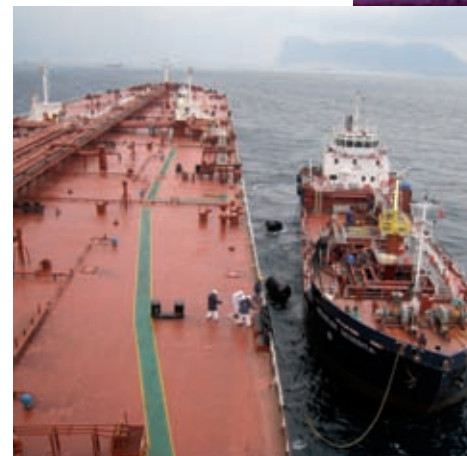
In the 21<sup>st</sup> century this situation has changed quite substantially. Better quality of life and the subsequent demographic boom, particularly in emerging economies, has unveiled the underlying limitations of our natural resources, with countries and governments being forced to consider the

environmental cost of a society based on inefficient management of energy resources.

Organisations such as the International Energy Agency (IEA), with its World Energy Outlook 2008<sup>15</sup>, incorporate energy efficiency variables and social habits in their assumptions, thereby shaping improvement plans and leading to reasonable and moderate growth in primary energy consumption.

Although new saving, efficiency and substitution measures will be implemented, the IEA forecasts a best-case scenario for 2030 in which fossil fuels (coal, oil and gas) will represent 75% of total energy

consumption, a very small reduction compared to the current 80%.



<sup>15</sup> <http://www.worldenergyoutlook.org/>



## CHALLENGES FACING OIL COMPANIES: CEPSA'S INITIATIVES

The energy sector is experiencing troubled times. In addition to the volatility of crude oil prices and high levels of demand, there is also the issue of complex new deposits which require huge technical and financial resources if they are to operate successfully.

During the 1990-2007 period CO<sub>2</sub> emissions rose by 34%, although this ratio decreased to 3% in Europe and, should the situation continue as at present, the forecast increase by 2030 could reach 49%. This is not only worrying, but also casts a shadow of doubt over these kinds of energies.

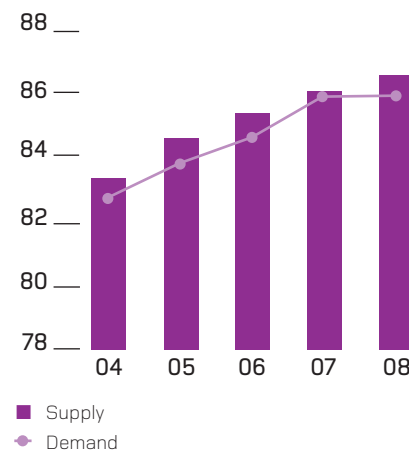
The essential role played by oil companies in tackling these challenges must be considered, as well as their ability to

continue offering a supply that is safe, accessible and socially acceptable, overcoming an environment marked by complicated supply, extreme price instability and GHG emissions, which mainly come from developing countries.

CEPSA faces these challenges by guaranteeing a safe supply of products which meet society's basic needs, as well as carrying out its industrial activity in an efficient, environmentally friendly manner, improving processes and optimising operations in all areas, from manufacturing to the end product reaching the customer.

### International oil supply and demand

Millions of barrels per day

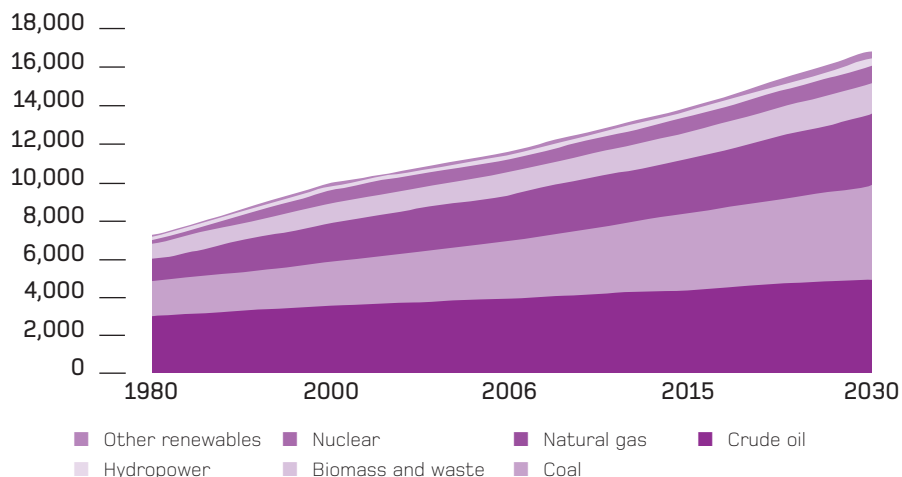


Source: National Energy Commission/IEA



### International energy demand

Millions of TOE (tonnes of oil equivalent)



Source: 2008 World Energy Outlook



## Case study: Drilling of an exploration oil well (Los Llanos, Colombia)

CEPSA carried out hydrocarbon exploration and production activity in Los Llanos, Colombia. This area has a subsoil which favours the formation of oil beds, and seismic mapping is used to search for and identify these deposits. Nevertheless, this tool does not allow conclusions to be drawn as to whether the deposits actually contain hydrocarbons, which can only be done by drilling an exploratory well.

Before drilling begins, the quantity of hydrocarbons that may be contained in the oil field is calculated, and the technical risks are also determined. Drilling will only go ahead if the results of the financial feasibility study are positive.

The drilling process requires highly detailed planning, as this is a piece of engineering work that involves a large number of companies, and where optimum coordination is essential. The companies are selected through a tender process, where not only financial considerations are taken into account, but also the technical quality of the teams and personnel and their proposals for resolving issues as important as safety and the impact on society and the environment.

The entire process which takes place prior to the drilling involves the selection of a location that is feasible from an environmental perspective, which is not within protected spaces or areas that contain archaeological ruins or indigenous populations. The terrain should also be as flat as possible and should not be close to areas prone to flooding. It should also be easily accessible. Once the location has been selected, authorisation is obtained from the owner of the land.

The items required for drilling, which include the drilling tower, the tank for sludge deposits, electricity generators, mechanisms to prevent possible eruptions during drilling, control cabins, cranes, vehicles and pipes are located on the site. The installations should also include a camp for personnel, water and fuel storage tanks, a treatment plant for sanitation service water, temporary storage areas for waste and materials, and an infirmary, among other facilities.

To control, minimise and redress the impact of these activities an environmental management plan is prepared, following an environmental evaluation process. CEPSA Colombia appoints a party to intervene and ensure compliance with this plan.

Drilling involves making a hole through rotation and applying force. Once the target depth is reached, sensors are introduced to assess the presence of hydrocarbons in the rock pores. If the tests are positive and detect oil in quantities that make its sale feasible, the equipment is dismantled, leaving a pipe at surface level which can be used to re-enter the well to carry out further testing.

If, however, the tests return negative results, showing that there are no hydrocarbons or that they are in such low quantities that their exploitation is not technically possible (which happens quite often), the well is sealed and abandoned, with the equipment being dismantled and the area restored to conditions similar to those prior to the drilling process.



### Secure supply requirements

### CEPSA's initiatives

Availability of sufficient crude oil to carry out activity.

- Hydrocarbon exploration and production.
- Acquisition of crude oil and products.

The resources required for the manufacturing processes to transform raw materials into products which are useful for consumers.

- Maximum efficiency in refinery facilities.
- Distillation of crude oil to obtain derivatives.

An efficient distribution network to ensure that customers receive products in the right place at the right time.

- Permanent expansion and optimisation of the sales network.

Other activities that contribute to the supply process.

- Development of new supply networks.
- Contribution to maintaining strategic domestic reserves.
- Incorporation of biocomponents into fuels.

Generating value

# 04

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Creating value\_21



Further information in the 2008 Corporate Responsibility Report available at [www.cepsa.com](http://www.cepsa.com)

## Our commitment

To contribute to socio-economic growth, especially in the areas in which the Company is present, by developing projects and new activities which generate employment, create value for shareholders, extend the range of products and services available to customers and increase production activity for its supply chain.



## 2008 milestones

- Added value of 2,055 million euros in 2008.
- Generated economic value for the year amounted to 25.5 thousand million euros, up 19% on 2007.

## 2009 challenges

- Maximise added value in a complex environment.
- Maintain size and profitability.

## CREATING VALUE

Obtaining sustained profits is one of CEPSA's objectives<sup>16</sup>, which forms part of another, wider goals to maximise value in the long term. This objective is quantified using indicators of added value and economic value generated, distributed and retained.

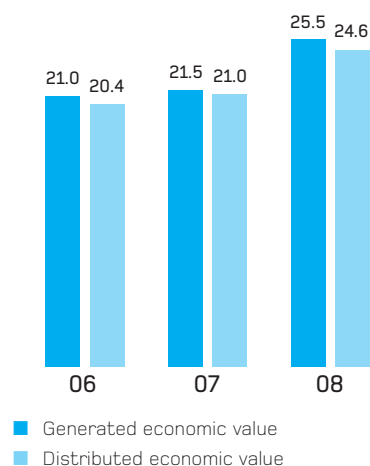
CEPSA calculates added value using methodology established by the UK Department of Trade and Industry<sup>17</sup>. According to these criteria, the Company created value of 2,055 million euros in 2008<sup>18</sup>, 5% more than in 2007. This figure represents added value per employee of 174,000 euros.

These figures are higher than the previous year despite the environment in which we have been operating, characterised by extremely volatile prices of crude oil and its main derivatives and the depreciation of the US Dollar against the Euro during the year.

Economic value<sup>19</sup> generated in 2008 amounted to 25,489 million euros, representing a 1.9% increase on 2007. The economic value distributed<sup>20</sup> by CEPSA to its shareholders, suppliers, employees etc. totalled 24,627 million euros, 18% more than in 2007. Retained economic value, measured as the difference between generated economic value and distributed economic value, amounted to 861.5 million euros.

### Creating value

(Thousands of millions of euros)



<sup>16</sup> More economic and financial information on the CEPSA group can be found in the 2008 Annual Report at [www.cepsa.com](http://www.cepsa.com).

<sup>17</sup> Added value is determined as the difference between revenue and costs of related purchases and services. More information on this methodology is available on the DTI (Department of Trade and Industry) website: [http://www.innovation.gov.uk/value\\_added](http://www.innovation.gov.uk/value_added).

<sup>18</sup> For greater comparability of information on added value for different periods, CEPSA, like other companies in the sector, considers that this data should continue to be used without taking into account the possible revaluations or impairments of operating stocks. To this end the replacement cost method has been used instead of Average Cost, which is used for the preparation of financial statements under International Financial Reporting Standards (IFRS) and gives rise to greater volatility in the income statement when there are large price variations. Given that the LIFO method was used in 2006, the figures have been recalculated for comparative purposes.

<sup>19</sup> Generated Economic Value is obtained by adding revenue, income from discontinued operations, share in profit of associate companies and other non-operating income and expenditure.

<sup>20</sup> Distributed Economic Value is obtained by adding dividends, operating costs, personnel costs, taxes, resources allocated to social welfare and financial expenses.



**Distributed Economic Value****2008****2007****2006**

(Millions of euros)

Economic relations with suppliers <sup>21</sup>	21,003	17,118	16,683
Employee salaries and other compensation	544.2	493.2	476.9
Payments to shareholders	309.9	341.9	346.0
Total taxes paid by CEPSA	2,771.0	2,994.7	2,862.7
<b>Total</b>	<b>24,627.2</b>	<b>20,947.8</b>	<b>20,368.6</b>

**CEPSA shares****2008****2007****2006**

(Number of bearer shares: 267,574,941 at Euro 1 face value each)

**Share price** (euros per share)

Average	69.30	68.07	54.47
Year-end (31.12.07)	67.60	71.00	59.40

**Dividends paid to shareholders** (millions of euros)

Parent company shareholders	294.3	334.5	334.5
Minority subsidiary shareholders	14.7	7.4	11.5
<b>Total dividends</b> (millions of euros)	<b>309.0</b>	<b>341.9</b>	<b>346.0</b>

Dividend per share (euros)	1.0	1.25	1.25
Pay-out (%) <sup>22</sup>	51	52	45

**Employee salaries and other compensation****2008****2007****2006**

(Millions of euros)

Wages, salaries, pension contributions, and payments	438.1	395.5	384.2
Other welfare benefits	106.1	97.7	92.7
<b>Total</b>	<b>544.2</b>	<b>493.2</b>	<b>476.9</b>

21 These figures relate to investments in business responsibility activities in communities where CEPSA operates. For further information see the section on "Projects of public interest" in the chapter entitled "Part of the community".

22 Not including the gains or losses generated by changes in the price of inventories and other non-recurring results.





## Total taxes paid by CEP SA

2008

2007

2006

(Millions of euros)

Special tax on hydrocarbons	2,285.2	2,345.6	2,238.3
Tax on retail sales of certain hydrocarbons <sup>23</sup>	198.2	206.1	203.1
Local taxes	43.6	37.8	36.6
Income tax	244.0	405.3	384.8
<b>Total</b>	<b>2,771.0</b>	<b>2,994.8</b>	<b>2,862.8</b>

## Economic relations with suppliers

2008

2007

2006

(Millions of euros)

Supplies	19,028	15,355	14,945
Transport and freight	491	460	476
Projects, supplies and external services	1,421	1,273	1,163
Other general management costs	14	9	56
Environmental costs	16	11	14
Financial costs of remunerated debt <sup>24</sup>	33	10	29
<b>Total</b>	<b>21,003</b>	<b>17,118</b>	<b>16,683</b>

## Net sales

2008

2007

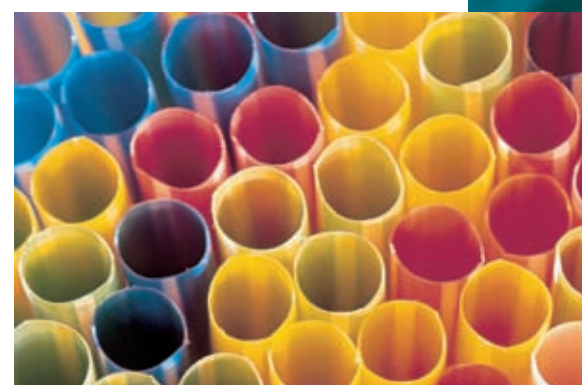
2006

	Products	Services rendered	Products	Services rendered	Products	Services rendered
Domestic market	19,451.8	146.5	16,274.3	151.6	15,801.0	159.3
Rest of EU	2,773.5	4.9	2,641.3	7.5	2,318.8	3.8
Rest of the world	2,484.9	253.8	1,929.7	225.9	2,256.8	167.5
<b>Total</b>	<b>24,710.2</b>	<b>405.2</b>	<b>20,845.3</b>	<b>385.0</b>	<b>20,376.6</b>	<b>330.6</b>

(Millions of euros)

23 Tax on retail sales of certain hydrocarbons is an indirect tax on the retail of certain hydrocarbons. The tax is paid by the owner of the hydrocarbons.

24 Net cost accrued in the period relating exclusively to interest rates contracted with banking and non-banking financial suppliers.



## Employees

# 05

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## Our commitment

CEPSA aims to be an employer of choice for professionals in the sector, because of its culture, based on innovation, excellence and commitment to the development and safety of its employees.







## 2008 milestones

### Human Resources

- Reorganisation of the CEPSA Group petrochemicals activities into a single entity: CEPSA Química, S.A.  
Level of achievement:  100%
- Introduction of the equal opportunities programme through diagnosis of the situation.  
Level of achievement:  100%
- Implementation of the Innovac<sup>25</sup> project.  
Level of achievement:  50%
- Completion of pilot skills management project in one area of the Company.  
Level of achievement:  100%
- Establishment of the corporate middle-management development programme in the manufacturing area.  
Level of achievement:  100%
- Internal audit of the training programme  
Level of achievement:  100%

### Safety

- Achievement of goal to reduce lost-time accident rate for own and contracted personnel to below 5.27, reaching 4.65.  
Level of achievement:  100%
- Introduction of investigation into industrial accidents and improvement of communication of lessons learned.  
Level of achievement:  50%
- Analysis of safety levels and layers of protection in risk studies for new projects and existing installations.  
Level of achievement:  50%
- Launch of the "Visible leadership in safety" programme, which aims to increase safety awareness, introduced at the "Gibraltar-San Roque" refinery and completed in the "La Rábida" refinery and in PROAS.  
Level of achievement:  50%

## 2009 challenges

### Human Resources

- Prepare and develop equality programmes for all Group companies.
- Further the implementation of the skills management project throughout the CEPSA Group.
- Continue the introduction of the middle-management development programme in the rest of the areas of the Group.
- Develop an action plan for the training programme leading on from the internal audit carried out in 2008.

### Safety

- Keep the lost-time accident rate for own and contracted personnel below 4.65.
- Emphasise the investigation of industrial accidents, with greater disclosure of lessons learned.
- Intensify monitoring of improvement initiatives after accidents, analysing risks and inspecting installations.
- Standardise technical criteria to be applied in risk analysis when managing changes in installations.
- Integrate the application of Risk Acceptance Criteria in the analysis of technological risk when overseeing changes to the centres affected by major accident legislation.
- Increase control and proposal of improvements resulting from unplanned and improvised situations in industrial processes, through the use of practice drills.
- Improve occupational health and safety management systems.
- Extend the culture of zero tolerance for unsafe circumstances throughout all CEPSA organisations.

<sup>25</sup> Information on this milestone can be found in the "Improvement activities by market" section in the "Customers" chapter of this report.



The company's human resources policies aim to reinforce human and intellectual capital and offer an attractive working environment, a stimulating professional career and a healthy and safe workplace in order to attract and retain professionals.

Factors such as loyalty, satisfaction and employee commitment are key intangible assets for the growth and development of the Company, and are also beneficial when it comes to forging trust-based relations with employees, affording distinctive advantages.

CEPSA is committed to respect for human rights and basic principles such as dignity, the abolition of forced and child labour and non-discrimination of gender, race, creed, religion and origin.

## HUMAN CAPITAL

In 2008, the CEPSA headcount increased by 417 employees, 3.7% up on 2007, mainly due to the acquisition of TOTAL's service stations and oil derivative activities in Portugal, growth in activity in the exploration and production areas in Colombia, Peru and Egypt and the expansion of the "La Rábida" refinery, which requires the preparation of personnel for operations beginning in 2010.

Once again, the increase in personnel has been greatest among female employees, rising 5% compared to 3% among male staff. This continuous growth of female participation in the Company has taken place because their professional qualifications are more in line with CEPSA's activities.

## REORGANISATION OF THE CEPSA GROUP'S PETROCHEMICALS ACTIVITIES INTO A SINGLE ENTITY: CEPSA QUÍMICA, S.A.

In 2008, CEPSA restructured all of its petrochemicals activities, which until then had been carried out by four separate companies.

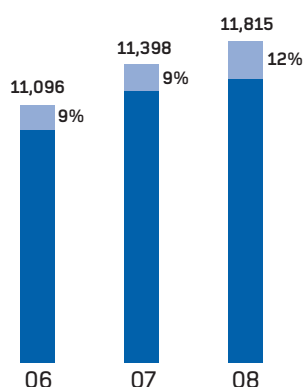
After analysing the situation with professionals in this area, the Group determined that extensive organisational change was urgently required to achieve synergies, cut costs, identify best practices and generally achieve excellence in management.

The decision reached was to group the activities and companies into a single legal entity, creating a more functional organisation. This would allow the Group to successfully tackle a new era of innovation with greater competence, as well as achieving the aforementioned objectives.

The creation of the new company, CEPSA Química, S.A., was announced in 2008.

## Number of employees<sup>26</sup>

(% international)



<sup>26</sup> Personnel at 31 December 2007, except for CEDIPSA (100% CEPSA); this company is engaged in the operation and installation of service stations and its activity is seasonal. Therefore, the average headcount for 2007 is presented. 308 of the 11,815 employees in 2008; 315 of the 11,398 employees in 2007 and 341 of the 11,096 employees in 2006 work for companies of which CEPSA owns 50% but less than 100%.



## Breakdown by professional category and gender

	2008		2007		2006	
	Female	Male	Female	Male	Female	Male
Management and department heads	73	581	68	601	65	621
Expert technicians	310	1,226	306	1,252	278	1,244
Technicians	435	1,368	368	1,252	394	1,181
Specialists	2,747	4,631	2,543	4,283	2,309	4,288
Assistants	305	139	403	322	409	307
<b>Total</b>	<b>3,870</b>	<b>7,945</b>	<b>3,688</b>	<b>7,710</b>	<b>3,455</b>	<b>7,641</b>
<b>% of total personnel</b>	<b>33</b>	<b>67</b>	<b>32</b>	<b>68</b>	<b>31</b>	<b>69</b>

## EQUAL OPPORTUNITIES AND EQUALITY PROGRAMMES

After negotiations in CEPISA throughout 2007 and 2008, new agreements and commitments were made with the aim of extending the principle of equal opportunities for women and men even more efficiently to all areas of human resource management. The Group is also committed to promoting further programmes for the reconciliation of private, family and professional life, thereby achieving on-going progress in current working conditions.

These commitments include the introduction of a committee formed by Company management and trade unions to prepare an equality programme to be applied in the future in all Group companies.

## ATTRACTING AND RETAINING TALENT

The degree of specialisation required in the sector means that competition is fierce with regard to attracting and retaining talent. The Group therefore requires a recruitment strategy that makes CEPISA an attractive prospect, an interesting company in which to make a professional career.

Fair remuneration and training are important values in this process, as is the establishment of communication channels that enable employees to contribute their experiences and knowledge to achieving results.

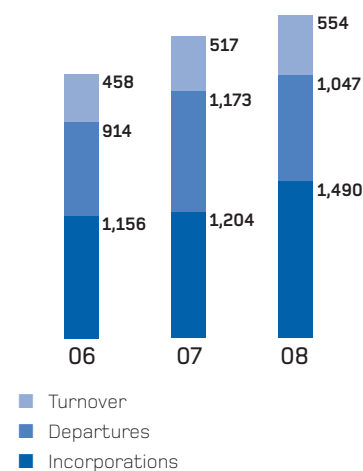
CEPSA participates actively in a large number of employment forums and presentations in universities. In 2008 the Group took part in nine forums organised by universities and engineering schools in Spain and France and awarded scholarships in the French Petroleum Institute.

91% of 2008 incorporations reflect new employee intake. 35% of personnel leaving the Company were due to contracts expiring and 25% to resignations. The number of employees working part-time has increased, mainly due to a greater number opting for partial-retirement.

The average age of employees is 41 and the average tenure is 12 years.

## Number of incorporations<sup>27</sup>, departures<sup>28</sup> and turnover<sup>28</sup>

(Number of employees)



<sup>27</sup> Recruitment and departures do not include CEDIPSA (100% CEPISA); this company is engaged in the operation and installation of service stations and its activity is seasonal.

<sup>28</sup> Includes employees who leave the organisation due to disability, resignation, death, retirement or dismissal, excluding CEDIPSA.





## Turnover

2008

2007

	By gender		By age group			By gender		By age group		
	Female	Male	<30	30-35	>50	Female	Male	<30	30-35	>50
In absolute terms	194	360	107	187	260	172	345	130	210	177
Turnover rate (%) <sup>29</sup>	10	6	9	4	12	10	6	12	5	8

## Professional development

As professional development is one of the keys to retaining talent, CEPSA has introduced the following two projects:

- The skills management project, which aims to manage and develop employees on the basis of their personal and professional skills. In 2008, the Group developed its "competence dictionaries", which define the skills necessary for a position and classify and categorise jobs. Before implementing this project throughout the Company

a pilot project has been carried out in one area of activity to identify possible improvements.

- The corporate middle-management development programme<sup>30</sup>, aimed at promoting management and team-leading skills. This programme is characterised by its practical orientation and individualised content, and was first introduced to industrial plants. The Group intends to extend this programme to the rest of the organisation in the near future.

## CEPSA PROFESSIONAL PERFORMANCE EVALUATION SYSTEMS

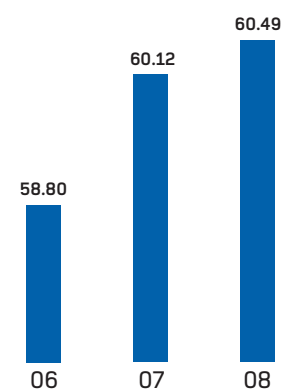
The company considers that evaluation systems provide managers with greater information on individual employee merits and the level of achievement of area targets, guaranteeing an equitable process offering optimum compensation for the work performed.

## Range of welfare benefits (2008-2007)

	Required by law		Responsibility for costs	
	Yes	No	Total company	Total employee
Pension plan		X	X	X
Accident insurance	X	X	X	
Life insurance	X	X	X	
Medical care policy		X	X	X
Education funding		X	X	
Grants		X	X	
Meal vouchers		X	X	

## Employees who receive performance evaluation

[%]



<sup>29</sup> Turnover rate = No. of employees leaving the organisation / total No. of employees x 100.

No. of employees leaving the organisation due to disability, resignation, death, retirement and dismissal.

<sup>30</sup> More information in the case study at the end of this chapter.



## LABOUR RELATIONS

Dialogue and trust are foundations of CEPSA's labour relations model. The labour relations policy adheres to the Fundamental Principles of the International Labour Organisation, as illustrated by CEPSA trade union representation, and

the low number of work hours (498 in total) lost to labour disputes in 2008.

98% of personnel are represented by a plural and democratic elected body in accordance with prevailing legislation for each company and 39% of the workforce come under collective bargaining agreements, which are negotiated directly

by employee-elected representatives. The remaining employees come under agreements beyond the Company's jurisdiction, where representations are determined indirectly, albeit with union participation. The CEPSA collective labour agreement was signed in April 2008 for a period of four years.

### Personnel under collective labour agreements

	2008		2007		2006	
Breakdown by business units	Total	%	Total	%	Total	%
Refining	8,984	78	8,672	77	8,322	76
Petrochemicals	1,443	12	1,494	13	1,519	14
Exploration and Production	203	2	170	2	155	1
Corporation, Technology, Research Centre and General Services	907	8	923	8	934	9
<b>Total</b>	<b>11,537</b>		<b>11,259</b>		<b>10,930</b>	

### Breakdown of personnel by union representation

	2008		2007		2006	
	Employees	%	Employees	%	Employees	%
Union representation	10,220	87	10,239	90	9,911	89
No union representation	1,595	13	1,159	10	1,185	11
<b>Total</b>	<b>11,815</b>		<b>11,398</b>		<b>11,096</b>	





## TRAINING

Training is a pillar stone of the Company. It enables personnel to truly adapt to their professional and economic environment, and prepares them to tackle challenges such as the present situation.

CEPSA has therefore increased training resources by 27%. In 2008 over 600,000 hours were dedicated to training, an average of almost 60 hours per employee for the year.

Mention should be made of the number of hours training given to new incorporations, including the 148 employees taken on for the capacity expansion of the "La Rábida" refinery.

In 2008 the Company carried out an exhaustive analysis and global review of its training strategy, identifying the need to establish a new model in line with the Company's objectives and strategy. This new model will be gradually introduced between 2009 and 2010.

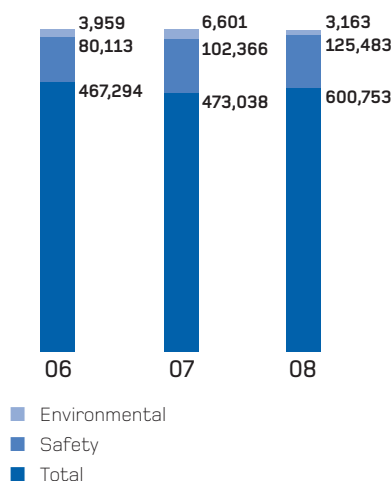
Given the nature of the activities carried out in its production centres, CEPSA gives to priority training to improve employee health and safety. As a result of these efforts the lost-time accident rate per million hours worked for CEPSA's own and contracted employees has continued to fall this year, down 5% on 2007.

Special mention should be made of the accomplishment of "La Rábida"

refinery, the Puente Mayorga plant of CEPSA Química and the "Tenerife" refinery, which achieved zero lost-time accidents involving own personnel for 365 consecutive days, a success recognised by the Autonomous Commission for Safety and Hygiene in the Workplace (COASHIQ).

Mention should also be made of the level of employee occupational health and safety qualifications achieved. Over 50% of refinery personnel now hold official health and safety qualifications comprising basic, intermediate and advanced levels.

### Training hours<sup>31</sup>



## OCCUPATIONAL HEALTH AND SAFETY<sup>32</sup>

CEPSA considers it essential to implement an occupational health and safety policy by preventing work-related risks and adhering to the Prevention of Occupational Risks Act. Preventing accidents is a priority for CEPSA and the company has established procedures, training programmes and monitoring systems (OHSAS 18001) to this end.

Employees participate in the Company's health and safety initiatives through health and safety representatives. A company may also have a health and safety committee, depending on the number of employees and the activities they perform. This is a joint body for regular and periodical consultations on the Company's health and safety initiatives.

CEPSA is committed to co-operating with service companies in the application of provisions for safety, hygiene and health, providing a co-ordination system involving occupational health and safety visits and the exchange of experiences.

<sup>31</sup> Training hours per employee are calculated on the basis of employees registered in the CEPSA "HR ACCESS" database (87.75% of total personnel, comprising the Spanish subsidiaries).

<sup>32</sup> The information for the safety area does not include data for international sales offices or CEPSA Panamá, ECANSA and AMARCO, as no registry system is available.



## Case study: Involving employees in safety

Employee safety awareness is vital for CEPSA, as appropriate action in a potentially risky situation is the best prevention of risks.

The “Visible leadership in safety” campaign was recently completed in the “La Rábida” refinery, aimed at strengthening the safety culture by optimising the behaviour of all employees. To communicate this philosophy effectively, the Group requested the participation of the US-based multi-national DuPont, which has notable prestige in the chemicals sector.

DuPont applied a methodology based on the visible commitment of all employees in the centre, from management to plant operators, administrative staff, service company employees and workers’ representatives, among others.

Under the slogan “safety is everyone’s concern”, around 30 training meetings were held in the “La Rábida” refinery, in which over 400 employees participated, to pass on three fundamental messages:

1. Managers must be involved. The results and excellence achieved in safety will be those visibly aimed for by the leaders.
2. Unsafe action is the cause of most accidents. A job is safer when appropriate action is taken in risk situations.
3. A balance must be reached between efficient production and the minimisation of risk. If these clash, safety comes first.

These training sessions were followed by fieldwork over one month, in which specific situations were considered with health and safety observations. This meant detecting potentially risky situations and warning both refinery and service company employees of the possible risk.

In 2008 health and safety initiatives were united under one message: “zero tolerance” of unsafe action. The health and safety officers of the “La Rábida” refinery have considered the experience to be “very positive”.

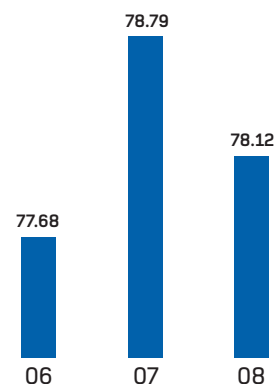


In 2008 insurance engineers inspected the “La Rábida” refinery, CEPSA Química’s Palos de la Frontera plant, the Matoshinos (Portugal) factory and the ASESa refinery (Tarragona), which upheld the good ratings awarded in prior years. The Group also launched its “Visible leadership in safety” programme, working with the company DuPont to raise safety awareness in the “Gibraltar-San Roque” refinery. The programme was completed in the PROAS factories and the “La Rábida” refinery in 2008.

The three refineries continued the TOTAL three-year cross-audit programme, which involves the assessment of installations and safety measures by experts and the implementation of drills and recommendations. This technical exchange programme enables CEPSA to incorporate TOTAL’s good practices and promote its own.

### Employees represented by health and safety committees

(%)





In 2008 the Corporate Safety Management unit presented a Risk Acceptance Criteria proposal to heads of safety and technical personnel of refinery and petrochemical installations, based on global practices in the oil, chemical and gas sector and prevailing legislation. The proposal collates the levels of (technological) risk acceptable in activities, applying these to the analysis of risks in new and existing installations.

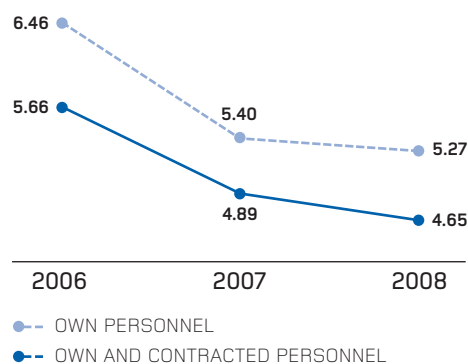
The Group also continued to further its safety drive in sales areas and carried out emergency drills in its main installations, with subsequent analysis of the action teams and identification of potential improvement initiatives.



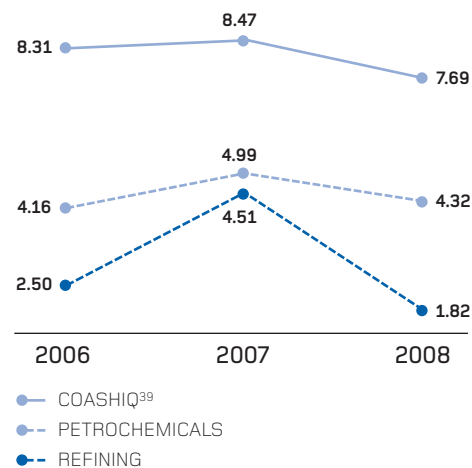
### Accident rates/absenteeism<sup>33</sup> for own personnel<sup>34</sup>

	2008	2007	2006
Lost-time occupational accidents <sup>35</sup>	112	112	119
Accident frequency rate <sup>36</sup>	5.27	5.40	6.46
Accident severity rate <sup>37</sup>	0.10	0.10	0.15
Common illness absenteeism <sup>38</sup> (%)	3.60	3.66	3.78
Absenteeism (%)	5.46	4.82	5.08

### Lost-time accident frequency rate



### Accident frequency rate (own personnel)



<sup>33</sup> Absenteeism data for companies with head offices in Spain.

<sup>34</sup> Includes those companies in which CEPISA holds an interest of over 50%. Exploration and Production data are also excluded.

<sup>35</sup> Accidents resulting in temporary unfitness for work, permanent disability or death.

<sup>36</sup> Number of lost-time accidents per million hours worked.

<sup>37</sup> Number of calendar days lost due to accidents per thousand hours worked.

<sup>38</sup> Number of working hours lost per theoretical annual working day.

<sup>39</sup> COASHIQ: Autonomous Commission for Safety and Hygiene in the Workplace in the Chemical and Related Industries.

## Case study: Development plan for manufacturing managers

CEPSA's refineries and petrochemicals plants require a specialised team to carry out everyday procedures. It would not be possible to meet production objectives with high standards of efficiency, safety and environmental protection, without the support of an operational structure of manufacturing management, including unit heads to plant managers, who lead teams generally comprising technicians and shift operators.

In this context, both the heads of CEPSA's main installations and their superiors made the human resources department aware of the need to strengthen team management and leadership skills, applying the best techniques available to resolve situations inherent to industrial environments.

To this end, the Group designed its competence management programme, currently being introduced throughout the CEPSA Group, which consists of identifying optimal skills (professional and behavioural) for performing a role in any area of the Group.

On the basis of this project, the Group designed a development plan for the heads of its main industrial centres, aimed at ensuring that all personnel employed in management roles are aware of and apply the necessary tools, CEPSA's institutional principles and a management style based on a skills model involving the co-ordination, motivation and development of employees, creating a co-operative environment and a more efficient way of working.

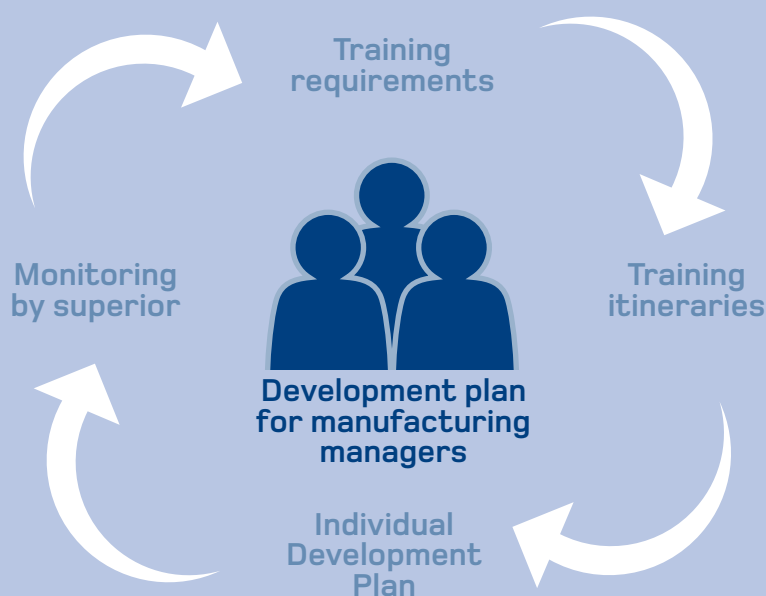
The first step in implementing the plan was to conduct a number of interviews with different manufacturing managers, allowing the Company to identify the abilities considered "vital" for managing teams in its industrial centres. These interviews also involved the preparation of training itineraries adapted to each level of responsibility. Presentations were made, with the support of Group management, to familiarise unit and centre managers with the new programme and enable them to get involved.

Meetings are then held with personnel who will receive training and an advisor specialised in human resources, to identify the areas for improvement that will then be used to prepare an individual development plan (IDP) with the interviewee.

The manager and his or her superior then jointly validate the IDP (aims, individual or group training sessions for different levels and reinforcement activities to continue the programme).

The development programme for manufacturing management began in May 2008, with over 160 individual development plans prepared and validated by year end, representing 90% of personnel targeted for this training initiative. The project involved 260 heads (participants and their superiors) employed in the three refineries and the three petrochemical plants run by the Company in Spain. With the incorporation of the "La Rábida" refinery in November 2008, over 350 managers will participate in the different training and development initiatives during 2009.

In short the active and permanent involvement of the entire chain of command ensures that development is an open and continuous process, aiming to increase the management capacity of manufacturing heads throughout their professional careers.





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Case study: [www.buenviajecepsa.com](http://www.buenviajecepsa.com)\_39











## Our commitment

CEPSA has an ongoing commitment to offer its customers quality products and services, satisfying their needs through fast, safe and efficient supply.



## 2008 milestones

- Implementation of a customer survey system in the service stations area, as a regular barometer of a representative sample of customers.  
Level of achievement:  50%
- Implementation of the "Fast track project" in the service stations area.  
Level of achievement:  100%
- Creation of the CLINOVA 8 innovation project in the fuels area, with progressive incorporation into all the links of the value chain (employees, customers and suppliers).  
Level of achievement:  70%
- Advancement in the new applications of liquefied petroleum gases (LPG) required by customers, such as their use in forklift trucks (30%)\*, paint booths (15%)\*, industrial bay heating systems (15%)\*.  
\*Level of achievement.
- Creation of the Global Customer Service Department of CEPSA Lubricantes.  
Level of achievement:  50%
- Wider range of products with higher yield and lower consumption<sup>40</sup>.  
Level of achievement:  100%
- Completion of the pre-registration process in REACH of all the substances it manufactures, imports or sells, and notification to customers of this development.  
Level of achievement:  100%

## 2009 challenges

- Customer survey system: report and apply the information obtained from the first round of feedback from customers within the Company.
- Consolidate and expand the CLINOVA innovation project to the other customers, suppliers and professionals of the fuel area.
- Develop new markets in which LPG could represent a clear alternative to traditional energy products.
- Consolidate the Global Customer Service Department of CEPSA Lubricantes.
- Optimise CEPSA's participation in the Substance Information Exchange Forum (SIEF).
- Commence implementation of Regulation 1272/2008 on the classification, labelling and packaging of substances and mixtures, based on the Globally Harmonised System (GHS) established by the United Nations.

<sup>40</sup> The information on this milestone is available in the section on product improvement in the Chapter "Greenhouse Gases".

Customers

# 06

## COMMITMENT TO QUALITY AND CUSTOMER SATISFACTION



In its “Letter on Environmental Protection, Risk Prevention and Excellence in Management”<sup>41</sup>, CEPSA considers satisfying customers’ needs and expectations and innovation in its processes, products and services as priority objectives on the path towards management excellence.

The Company continued to monitor customer satisfaction in 2008, starting up new projects to identify opportunities for improvement and initiating activities aimed at meeting the needs of its customer in the different markets in which it operates.

Compliance with commitments to customers <sup>42</sup>	2008	2007	2006
Customer satisfaction (%)	99.88	99.88	99.85

## PRODUCT STEWARDSHIP

The Company is aware that its products must be safely handled and employed throughout the entire production chain. As a result of the concerns expressed by different stakeholders, including both users and the industry itself, a number of questions have arisen in relation to products, especially chemicals and their impact on health, safety and the environment.

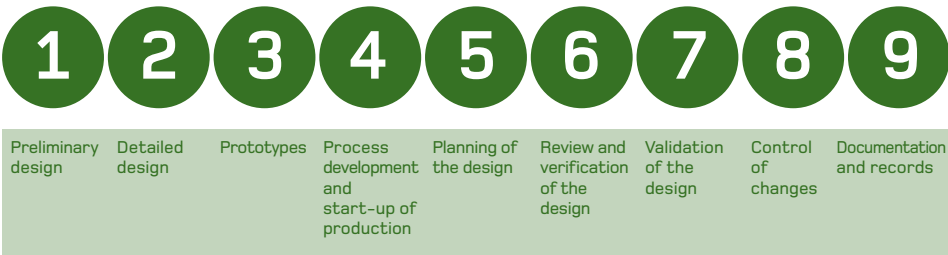
CEPSA promotes product stewardship, a method for the responsible management of chemical products, which encompasses

health, safety and environmental issues, as well as economic and technical factors, to guarantee product quality to the customer.

Product stewardship covers the complete life cycle of products. It starts at the research and development stage and includes manufacture, sale, distribution, use and recycling, concluding with the disposal of the product.

### Product safety

CEPSA allocates significant resources to ensure that its products are innovative in terms of safety and environmental protection. It has a procedure in place to establish criteria to guarantee the safety of its products.



### Product safety process at CEPSE

41 Available at [www.cepsa.com](http://www.cepsa.com), Corporate Social Responsibility, in the sections on Quality, Safety and the Environment.  
42 This index relates to those CEPSE activities which have been awarded certificates of quality. Calculated as the ratio of complaints received against orders served.



## IMPROVEMENT ACTIVITIES BY MARKET



### Service stations

Development of an automatic refuelling system whereby customers are sent a proposal for orders and supply dates, which can be processed and viewed on CEPSA's website, allowing customers to change their orders depending on their requirements. 316 service stations implemented this system in 2008, enabling them to optimise resources and reduce the number of deliveries, thereby benefitting safety and risk prevention.

### Diesel oil for agriculture and heating and fuel oils

Electronic sealing system for fuel tankers which controls the status of each of the fuel plugs. When receiving products, customers can verify "in situ" the status of the tank and authorise the seal to be opened and the fuel discharged. The second generation of this system was developed and implemented in 2008.

### Lubricants

Development of the INNOVAC innovation project, to identify improvements in processes and products through the management of knowledge, talent and creativity to maintain competitiveness and ensure customer satisfaction. The outcome of this project has been the introduction of the Comprehensive Customer Service (SIAC), which will be consolidated in 2009.

### Aviation fuel

Integration of the IT systems of S.I.S (50% CEPSA), C.M.D Aeropuertos Canarios (60% CEPSA) and CEPSA Aviación (100% CEPSA), which has enabled the Company to considerably improve the supply service rendered to its customers.

### Marine fuels

Customer satisfaction surveys in this market, covering passenger and freight ships and fishing boats, with similar results to those for 2007. The level of satisfaction is medium-high, with 75 points out of a possible 100.

### Liquefied petroleum gases: butane and propane

Implementation of a Customer Relationship Management (CRM) system to improve customer relations: Creation of websites for propane distributors and customers, enabling them to submit orders and download invoices electronically.

### Asphalts

Organisation of technical seminars for customers to discuss the current status of these products and their evolution.

### Petrochemicals

On-line survey project. Customer satisfaction surveys are to be introduced in the near future, aimed at the customers of its five lines of business.

### Natural gas

CEPSA Gas Comercializadora offers a consultancy service aimed at proposing improvements, performing energy audits, feasibility studies and resolving queries.

### Electricity

Procurement by DETISA of the ISO 9001 Quality Standard Certification in July 2008.

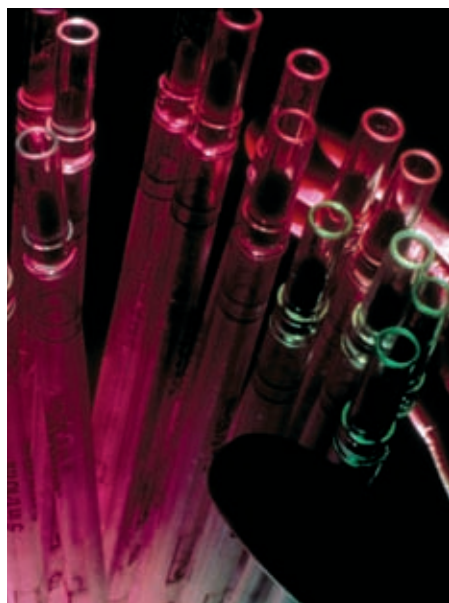




## CEPSA AND REACH IN 2008

This regulatory framework (for the Registration, Evaluation and Authorisation of Chemicals) came into force on 1 June 2007, establishing a new system for monitoring the production and use of chemical substances in the European Union. The REACH regulations require companies to register all substances imported or produced in quantities of over one tonne, to evaluate the related risks and determine their possible impact on health and the environment.

The initial, "pre-registration" stage has now been completed, with the identification of 223 substances manufactured, imported and sold. The Company has informed its customers of compliance with this stage of the procedure, in line with its policy of transparency.



In 2009 companies should reach agreement on the properties, toxicology, acceptable uses of these substances prior to the deadline for their registration. This will be done through the Substance Information Exchange Forum (SIEF).

CEPSA plans to implement Regulation 1272/2008 on the classification, labelling and packaging of substances and mixtures, based on the Globally Harmonised System adopted by the UN.

## COMMERCIAL COMMUNICATION AND DATA PROTECTION

The Company is a member of the Spanish Advertising Self-Regulation Organisation, which adheres to the European Advertising Standards Alliance, through which it has undertaken to carry out responsible commercial communications. It also forms part of "Confianza On-line", a comprehensive self-regulation system for interactive advertising and e-commerce with consumers, organised by the Federation of Electronic Commerce and Direct Marketing (FECMD), the Spanish Association of Electronic Commerce (AECE) and Autocontrol. Furthermore, CEPSA Portuguesa Petróleos is an active member of the Portuguese Association of Advertisers (APAN).

CEPSA has implemented the legally required measures to protect the personal data of the individuals with whom it maintains business relations (customers, suppliers and employees), under the premise of the strictest confidentiality and the adoption of IT security measures.

The Spanish Data Protection Agency did not instigate penalty proceedings against any CEPSA Group affiliates during 2008.

## INFORMATION SECURITY

The Company has undertaken various different projects to obtain the highest possible level of security with respect to Company information, and identity and data protection. As a result of these projects, it has obtained the ISO 27001 Certification for Information Security Management.

The certification process required the adoption of an IT systems risk analysis procedure with which all future projects and initiatives must comply.



## Case study: [www.buenviajecepsa.com](http://www.buenviajecepsa.com)

As part of CEPSA's commitment to acting responsibly in the course of its business, the Company undertakes road safety initiatives through campaigns and seminars in which it seeks to raise awareness among drivers.

In October 2008, CEPSA took this commitment one step further with the launch of a website, 'www.buenviajecepsa.com', which offers the public all the information they require to plan the safest possible journey, with a view to increasing awareness of safe driving.

This project was carried out in collaboration with the General Directorate of Traffic (DGT) and the Spanish Road Association (AEC) as main strategic partners. The website includes an effective and innovative tool developed by CEPSA to enable drivers to calculate the safest possible route for their journey.

This unique calculator allows the user to trace their chosen route, and indicates the level of danger of each stage of the journey. It is based on maps published by one of the world's leading map publishers and uses a methodology designed by the Spanish Road Association, which processes the data provided by the General Bureau of Traffic for the last five years. Not only does 'www.buenviajecepsa.com' calculate the fastest or shortest route, but it is also innovative in showing the safest way to our destination.

The level of danger at any given stage of a journey is calculated by analysing different factors which affect driving conditions (heavy traffic, accident rates and the condition of the road, among others). The website calculator offers a clear and reliable evaluation of the level of danger of stages of the driver's selected route, as well as marking "accident black spots" and radars.

www.buenviajecepsa.com has five channels of information which provide advice, assistance and recommendations for preparing a safe journey, as well as offering techniques and recommendations, sometimes in the form of games, to make learning more enjoyable. The website also has an interactive driving simulator.

When the website was launched, CEPSA introduced a campaign based on the message "a safe journey is always a good journey". In view of the expected amount of traffic on the roads over the December bank holiday weekend and the Christmas holidays, CEPSA installed a "Safe point" in Madrid, offering free safety inspections of vehicles.

Driving simulators were also installed to demonstrate the impact of driving without a seatbelt or under the effects of alcohol. This initiative was carried out in collaboration with the General Bureau of Traffic, the tyre manufacturer Bridgestone and Autopista magazine.





## Suppliers

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## Our commitment

Forging trust-based relations with suppliers and service companies is an essential factor for CEPSA to achieve its objectives, while also helping to bring the company closer to the communities in which it is present. CEPSA's objective is to be perceived as one of the best companies in the sector in terms of excellence of its supply processes and management of its relations with these stakeholders.



## 2008 milestones

- Review of corporate responsibility parameters included in the supplier and contractor evaluation and approval system, to increase their specific weight.  
Level of compliance:  50%
- Review of the general terms and conditions for purchasing and contracting, to include obligatory compliance with the provisions of the International Labour Organization (ILO) and the principles of the United Nations Global Compact.  
Level of compliance:  50%
- Within the exploration and production area, strengthening of the requirements expected from suppliers and service companies regarding the respect of human rights, through inclusion of a clause in all contracts (Global Compact, compliance with ILO principles).  
Level of compliance:  100%

## 2009 challenges

- Complete the implementation of the global supplier management model.
- Include a supplier-specific section on the CEPSA website.

The Company would be unable to carry out its activity without the supply of the goods and services it requires. Responsibility for this task lies with suppliers and contractors and, consequently, particular attention is paid to this group of stakeholders. An ethical and responsible relationship is established with suppliers, based on management criteria that consider environmental respect, social commitment and financial feasibility.

CEPSA has a transparent and objective corporate purchasing and contracting policy, which seeks optimum process efficiency and benefits for all the parties involved.





## SUPPLIER AND CONTRACTOR EVALUATION AND APPROVAL SYSTEMS

CEPSA has an evaluation and approval system for selecting suppliers and contractors. The system forms part of the Company's corporate purchasing and contracting policy and has the following goals:

- Guarantee that bids for contracts are selected, compared and awarded based on principles of neutrality, equity and equal opportunities.
- Ensure quality, environmental protection, health and safety in the workplace and other aspects relating to corporate responsibility at all stages of the value chain.
- Ensure that only suppliers and contractors that meet certain legal requirements have fulfilled CR criteria and have adequate production, technical, financial and commercial capacity to supply goods and services to CEPSA.
- Ensure that supplier and contractor evaluation and approval requirements are standard in all areas of the company.

The Company is moving forward with the implementation of its own global supplier registration system, which will be used to provide all suppliers (regardless of their importance) with content related to corporate responsibility parameters.

## GENERATING VALUE FOR SUPPLIERS IN AREAS WHERE CEPSA IS PRESENT<sup>43</sup>

The main suppliers are of crude oil and oil products. In its commercial supplies<sup>44</sup> CEPSA works with prestigious and solvent commercial suppliers which are well-established in this highly specialist market. The Company always follows the regulations issued by international organisations with regard to embargoes, sanctions or any other type of applicable trade restrictions.

In 2008 local suppliers in the regions where CEPSA operates (excluding bank services, crude oils and products) accounted for 41.5% of total purchases made, with the subsequent creation of value in these communities.

The increase in purchases from Algeria between 2007 and 2008 was because two new gas injection compressors were

installed in the RKF field, aiming to maintain internal pressure and to increase production levels over time. The rise was also due to the increase in drilling activity compared to the prior year.

### Purchases by area

	2008			2007			2006		
							(Thousands of euros)		
	Total	Local	%	Total	Local	%	Total	Local	%
Cádiz	263,548	84,210	31.95	201,833	88,863	44.03	191,651	78,092	40.75
Canary Islands	54,192	15,779	29.12	50,045	13,875	27.73	46,956	13,878	29.56
Huelva	146,510	53,014	36.18	105,147	48,650	46.27	103,899	51,653	49.71
Madrid	362,635	179,111	49.39	689,446	395,132	57.31	251,392	138,488	55.09
Algeria	202,524	95,445.3 <sup>45</sup>	47.13	117,198	57,651	49.19	51,989	10,365	19.94
<b>Total</b>	<b>1,029,410</b>	<b>427,559</b>	<b>41.53</b>	<b>1,163,669</b>	<b>604,171</b>	<b>51.92</b>	<b>645,887</b>	<b>292,476</b>	<b>45.28</b>

<sup>43</sup> Information on the relationship with suppliers in Colombia in the 2008 CSR Report at [www.cepasa.com](http://www.cepasa.com).

<sup>44</sup> Supplies of crude oil for refineries, sale of equity crude oil production and sale and purchase of energy product imbalances from the CEPSA refining system.

<sup>45</sup> Local purchases have been considered as those transactions exclusively carried out with local companies, excluding subsidiaries of international companies present in Algeria.



## Case study: Implementation of e-procurement between CEPSA and a supplier

Normal activity in the Company's work centres requires the purchase of goods and the contracting of services, to meet internal demand in terms of deadlines, quality and cost.

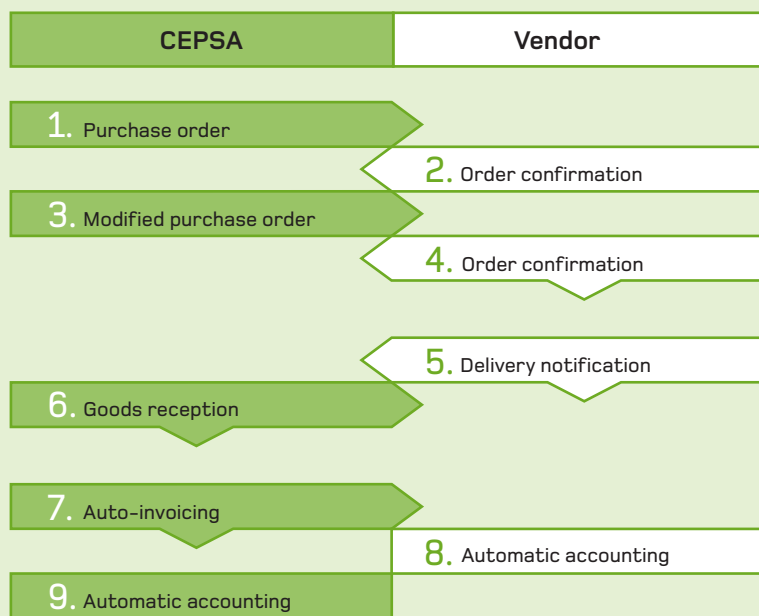
In addition to purchase prices, supply<sup>46</sup> processes also include other indirect costs which may lead to a considerable increase in the total cost of ownership of a product. These indirect costs may be transactions (requests, approval, registration of product and supplier data, bid and contract management, issue and monitoring of orders, receipt, invoicing and payment) or operational in nature (transport, audits, quality controls, warehousing, maintenance and insurance).

Since 2002 the Company has relied on e-procurement<sup>47</sup> technology, which is aimed to reducing transaction costs in the purchase cycle using information technology and the internet to automate and integrate internal CEPSA processes with those of its suppliers. Since then, as part of a framework for continuous improvement this system has incorporated a number of advances aimed at maximum integration of the purchase cycle between the Company (as customer) and its suppliers.

In 2008 a purchase cycle with a supplier was fully integrated for the first time, involving significant levels of activity (20,000 order lines and approximately 6,000 invoices per year). This is an innovative measure compared to other sector companies, and operates as follows:

1. All information exchanged between CEPSA and the supplier throughout the purchase cycle is done so in an integrated manner, allowing for direct communication between the IT systems of both companies, significantly reducing the number of errors and management time.
2. Generation of orders is also fully automatic, thanks to the coding of all items which are likely to be purchased, with price terms pre-established in a contract. With regard to the process for receiving goods, the logging of data has been considerably improved as an electronic delivery note is generated for the supplier.
3. Finally, the cycle is closed through the automatic generation and accounting of an electronic invoice, which is also integrated with the supplier's system and includes all the incoming merchandise during the day, applying the price terms and conditions to the related orders.

In 2008, this process allowed 5,500 orders to be managed automatically, involving 22,000 production units. In addition, 7,600 electronic invoices were also generated, significantly reducing the workload associated with the purchase cycle and improving internal management deadlines and costs.



<sup>46</sup> Excluding suppliers of crude oil and oil products.

<sup>47</sup> E-procurement is the purchase, sale and/or exchange of products and services between companies using network or internet-based IT systems.

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## Our commitment

Mutual awareness, through dialogue, and involvement in community projects where we operate, within a framework of initiatives aimed at forming quality relations based on trust, accessibility and transparency.



## 2008 milestones

- Performance of a survey on the external perception of the "Gibraltar-San Roque" refinery in the Campo de Gibraltar region, with the aim of defining an action plan.  
Level of compliance:  100 %
- Organisation of the first CEPSA "Social Value" Awards in Portugal and Tenerife.  
Level of compliance:  100%
- Definition of a new corporate responsibility initiative in the "La Rábida" refinery.  
Level of compliance:  100%
- Progress in relations with indigenous Peruvian communities.  
Progress:  10%

## 2009 challenges

- Develop an action plan based on the results of the external perception survey performed on the "Gibraltar-San Roque" refinery in the Campo de Gibraltar region in 2008.
- Organise the first CEPSA "Social Value" Awards in the Gibraltar-San Roque refinery.
- Increase the number of visits to the refinery and the Laguna Primera de Palos wetlands (Huelva).
- Fulfil the commitments assumed with native communities in the areas in which the Company carries out exploration and production activity, by generating local employment and respect for environmental, social and cultural diversity.
- Involve a member of the CEPSA Química Bécancour neighbourhood association in the joint audit of the company QMI-SAI Global and the Canadian Chemical Producers' Association.
- Refocus some of DETEN Química's corporate responsibility initiatives, such as the Vovó Do Mangue project.

## MANAGING THE IMPACT ON COMMUNITIES

At CEPSA we know that our operations and activities in support of communities must consider the expectations and demands of the societies of which we form a part. Mechanisms for dialogue with our main stakeholders are therefore in place.

- CEPSA Química Bécancour in Canada forms part of a community consultation committee, which includes a representative from each of the industries in the business complex and six committee members who represent the local community. In 2008 five new members were included from the local community, and five meetings were held. Following a proposal from the industrial members, the neighbourhood committee requested information on the ways in

which companies manage greenhouse gas emissions. CEPSA Química Bécancour presented the initiatives and projects it has implemented to reduce these emissions, such as the energy recovery project aimed at bringing down energy consumption and thereby reducing CO<sub>2</sub> by 12,000 tonnes each year.

- CEPSA Química Montreal<sup>48</sup> belongs to a committee formed of representatives from the community, the Company and

<sup>48</sup> Until April 2009 this Group company was called INTERQUISA Canada INC.





the environmental bodies located within the area. In 2008 this committee met on five occasions and dealt issues including matters concerning the business, the plant's operations, and the start up of a project in 2009, which will allow for the reduction of 3,000 equivalent tonnes of CO<sub>2</sub>.

- Comité de Fomento Industrial de Camaçari (COFIC), that represents the companies in this city's industrial estate and to which DETEN Química belongs created the "Conselho Comunitario Consultivo", the mission of which is to share matters of interest for industry and the surrounding communities. The *Ver de Dentro* ("take a look inside") project, consists of organised visits to companies in the industrial estate, where members of the local community can see how these businesses actually operate. In 2008 DETEN Química was visited on two occasions by a total of 70 school teachers and students.
- Global management of the "La Rábida" refinery in Palos de la Frontera (Huelva) is based on the European EFQM (Excellence for Quality Management) model, which considers external relations. In 2008 a new survey carried out, confirms that CEPSA is acting correctly with regard to its stakeholders.

To strengthen the Company's policy for transparent reporting and proximity to society, in 2008 the 5<sup>th</sup> "open doors" event was held, with a total of 920 visits over six days. Anyone from the province of Huelva could participate in the event, which exceeded its record figure of 841 visits set in 1999, the year in which the initiative was implemented.

- The "Gibraltar-San Roque" refinery neighbourhood committee comprises four neighbourhood associations, a local business representative, a technician from the local council's environmental department, a technician and the most senior figure from the environmental council, as well as representatives from the "Gibraltar-San Roque" refinery. This committee held two meetings in 2008, focused on the advances being made in the refinery and the chemical plants attached to the facilities with regard to the measures contained in the Integrated Environmental Authorisation, as well as a detailed explanation of how scheduled stoppages are carried out in the refinery from an environmental and safety perspective.

An external perception survey was also carried out, showing the satisfaction expressed by the individuals interviewed with the refinery's current communication policy and its contamination and safety management. Possible areas for improvement were detected, the most significant of which was the request for greater effort on the part of the refinery within the biodiversity sphere, particularly with regard to the restoration of the Bay of Gibraltar.

- Open door days were held at the "Tenerife" refinery, with the aim of bringing the local community closer to the industrial activity carried out in their local area. Over 450 locals and associations visited the facilities in 2008, along with 1,200 students.
- To gain further knowledge on the communities located in the regions where exploratory activities are carried out, the exploration and production

area carries out social analyses as a tool for planning initiatives geared towards the local population. Following these studies and in order to establish social investment plans, visits and hands-on workshops are organised for the local community and authorities, in order to understand and evaluate the needs, investment areas and financial feasibility of the projects.

Social initiatives were carried out in Colombia throughout 2008, based on eight strategic lines of action: support to local institutions; health; activities that encourage economic growth in the community; culture and tourism; education and leadership; the environment; leisure and sport; and communications infrastructure. Improvement projects have been carried out within these various areas, directly benefiting 13,000 people and areas inhabited by a further 22,000.



## Case study: CEPSA's relationship with native communities in Peru

CEPSA began its exploration and production activities in Peru with the signing of concession contracts for blocks 114 and 131, located in the basin of the River Ucayali in the south of the country, and block 127, in the basin of the River Marañón in the north. The aforementioned contracts were signed into in 2008 and 2007, respectively.

Prior to commencing any form of activity in the Amazonian jungle, Peruvian legislation stipulates the elaboration of an environmental impact assessments (EIAs) must be carried out. These imply a detailed evaluation of the environment and social situation of the areas in which operations are to take place, with the aim of establishing the best way of operating from an environmental and social perspective.

The social dimension of the projects carried out in this area is extremely important, as they involve native communities with whom links are established throughout the entire life of the project.

To forge these relations, CEPSA Peru frequently visits the communities in question, highlighting the most important issues related to the activity the Company is going to carry out (exploration), the project stages, the teams that will be required, the time CEPSA will remain in the area, the policies used for contracting local labour and the measures that the Company will implement to carry out its activities with the lowest possible impact on the surrounding environment.

These visits, which are also known as workshops, provide the Company with direct knowledge of the social reality of the area. The community's concerns and requirements are identified and dealt with, and the foundations for future agreements are also laid. Over 60 workshops were organised in 2008 in areas where seismic campaigns are carried out.

In addition to the native communities, relations and contacts have also been built with other stakeholders, including the Peruvian environmental and social authorities, which manage the environmental impact assessments (EIAs), evaluating the workshops carried out and their results, as well as the area's local authorities.

In terms of contractual relations, CEPSA Peru establishes the basic criteria for action with regard to environmental issues, safety and relations with the community. These directives should be applied throughout the different activities carried out in the area, and the Company's supervisors ensure that they are complied with by service companies.

During 2008, progress has been made in dialogue, participation and the establishment of agreements with indigenous communities, with the aim of commencing exploratory activity in blocks 114 and 127.



## CONTRIBUTING TO PROJECTS OF PUBLIC INTEREST<sup>49</sup>

CEPSA's support for social, cultural, environmental<sup>50</sup> and sporting projects helps it integrate in the community in which it operates. These initiatives are mainly carried out in collaboration with entities and experts involved in the different areas.

### Investment in business responsibility initiatives

	2008	%	2007	%	2006	%
(Thousands of euros)						
Social	1,239,600	30	723,330	22	1,163,010	37
Cultural	1,434,631	34	1,050,972	33	1,268,774	40
Environmental	251,132	6	376,890	12	205,136	6
Sports	1,237,526	30	1,058,426	33	541,519	17
<b>Total</b>	<b>4,162,889</b>	<b>100</b>	<b>3,209,618</b>	<b>100</b>	<b>3,178,439</b>	<b>100</b>

<sup>49</sup> For more information on the projects supported and a breakdown of social, cultural, environmental and sporting activities performed, please see the 2008 Corporate Responsibility Report at [www.cepsa.com](http://www.cepsa.com).

<sup>50</sup> Information on environmental initiatives can be found in the biodiversity protection section of the Environmental Management chapter.



## Initiatives to improve quality of life

The Company's work in the social sphere is focused on initiatives geared towards the most under-privileged members of society.

In 2008, for the first time in both Tenerife and Portugal and for the fourth time in Huelva and the second in Madrid, the Company organised the CEPSA Social Value awards. This initiative aims to support society's most under-privileged individuals, collectives and sectors by recognising and rewarding the best social projects carried out by different associations, NGOs and institutions.



In Colombia, CEPSA's projects include programmes to support adult literacy; technical training, which has allowed a group of young people and adults to train in mechanics, electricity and IT, support for improved infrastructures, such as the construction of system to capture, treat and distribute water in a school or the repairment of an emergency room in a hospital. Also noteworthy are the programmes for promoting health, such as the medical campaign in Peru (benefiting more than 800 people) that shows the community how to resolve basic health problems at source, using their own resources.

Finally, the Company collaborates with different associations and organisations that aim to help people who suffer from a range of diseases.

students, the Company has developed various initiatives in Spain, Brazil, Canada, Colombia and Peru to train and motivate the younger members of the community, thereby contributing to the success of these students through a wide range of programmes.

Finally, the Company has worked in the recovery of historical heritage by collaborating in projects such as the restoration of the tomb of Pharaoh Thutmose III in Luxor (Egypt). Work is also continuing to support the excavation of the city of Carteia and Merini Castle in Cádiz and, in Burgos, the Company is collaborating with the Atapuerca Foundation by supplying fuel to the team researching the Sierra de Atapuerca ruins.

## Promotion of culture and education

CEPSA is committed to promoting and preserving popular customs, culture and historical heritage, as well as encouraging education by collaborating in cultural, educational and scientific activities.

The most significant academic activities carried out by the Company include collaboration with different universities: the CEPSA Chair with the Universities of Oviedo, Madrid (Universidad Politécnica), Cádiz and Huelva. CEPSA has been collaborating with Huelva university for ten years now.

Once again in the academic field, but this time focusing on secondary school

## Sports initiatives

CEPSA supports activities aimed at encouraging sports initiatives in the communities in which it operates, mainly through local sports clubs and schools.

CEPSA collaborated in the organisation of the *Juegos Deportivos del Estrecho* (the Strait of Gibraltar Games), in which some 1,200 children from different clubs in the Campo de Gibraltar region and Ceuta participated, enjoying a friendly atmosphere where cooperation and respect for rules were key factors.

The first CEPSA junior football tournament was held in Huelva, with over 250 children aged between six and eight taking part. The aim of this event was to promote sportsmanship over mere competition.



## Case study:

### *Cuadernos del Petróleo* (Oil Notebooks)

As a member of the community in which it carries out its activities, CEPSA aims to ensure that society in general, and its younger members in particular, understand first hand exactly what a refinery is, what it produces and why, and how an industry of this nature contributes to the development of the social and economic structure of the area in which it operates. In this spirit, since it opened the "La Rábida" refinery, it has organised annual "open doors" days. During these events, to create an "industrial culture" the local community can get to know the refinery, as its processes are shown in a transparent manner, along with the work it carries out to balance energy demand with maintenance of a safe and healthy environment.

In line with its particular commitment to the younger members of society, in 2008 the refinery created its *Cuadernos del Petróleo* (Oil Notebooks) programme. This is an initiative aimed at secondary school students, giving them the opportunity to get to know the oil world in a fun way prior to visiting the facilities. The students' schools and teachers are secondary and high school levels.

To carry out the project, which included collaboration from the Huelva Regional Education Department and the Andalusian Government's teachers' centre, a training course was organised for 35 teachers from various schools in the province. For three months they were provided with a wide range of material related to the oil world. At the end of this period, the teachers themselves had prepared a total of 17 teaching units, which they used to prepare a *Cuadernos del Petróleo* programme divided into 11 specialist units and aimed at secondary and high school levels.

With the advances in information technologies, the "La Rábida" refinery took one step further by transforming these *Cuadernos del Petróleo* into an interactive website. This site, which is accessed using individual passwords, is only available to the schools that subscribe to the educational programme each year. The teaching programme is currently aimed at schools with information and communication technologies. Six blocks or units are used to explain in an educational manner the main themes relating to the oil world and the activity carried out by a refinery and companies such as CEPSA, covering areas such as biology, chemistry, geography, history and health and safety. The teaching programme is rounded off with a visit to the La Rábida refinery, at the end of which the students prepare a project which could win them a financial contribution to their end-of-term holiday.

The refinery uses satisfaction surveys as part of its "open doors" programme, which have shown that, since the implementation of the *Cuadernos del Petróleo* programme, the number of students and schools that have visited the facilities rose by 172% and 169%, respectively, in the 2007-2008 period. This growth validates the initiative, as well as making the visit to the refinery more beneficial as students have learned about refineries beforehand. Each year a special event closes the *Cuadernos del Petróleo* programme, attended by Regional Delegates from the Education and Environment Departments of the Andalusian Government.



In Portugal the Company has supported Clube Senhora da Hora, collaborating in sports training and the repairment of the club's facilities. CEPSA also collaborated with the technical school of the Insular Sailing Federation in Tenerife, giving the island's children access to this sport throughout the year and rewarding outstanding students with a CEPSA grant so that they can continue with their hobby.

Finally, the initiatives carried out in Colombia mainly focused on collaboration in the construction of a sports centre in one of the local towns, the provision of materials for sports groups and contributions to help organise sports tournaments in rural and urban areas.





## Commitment to technology

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## Our commitment

R&D&I is a sustainable growth and value-generating tool for CEPSA that enables the Company to optimise its production processes and product quality, thereby meeting sector challenges and improving its technological capacity and reputation.



## 2008 milestones

- Commencement of activities for the partial start-up of a new vacuum unit and a hydrogen plant in the "Gibraltar-San Roque" refinery to increase diesel production.

Progress:  50%

- Finishing of the detailed engineering for the project to expand the "La Rábida" refinery's middle distillate production capacity.

Level of compliance:  100%

- Opening of the new CEPSA research centre facilities.

## 2009 challenges

- Complete the activities to start up the vacuum unit and the hydrogen plant in the "Gibraltar-San Roque" refinery, as well as the revamping of the isomax unit.
- Continue the project to extend the "La Rábida" refinery's middle distillate production capacity.
- Continue the construction of two co-generation plants, one in the "Gibraltar-San Roque" refinery and the other in the "La Rábida" refinery.

## INVESTMENT IN R&D&I (RESEARCH, DEVELOPMENT AND INNOVATION)

In advanced industrial economies technological innovation plays a key role in the growth and profitability of companies, as well as their competitive position.

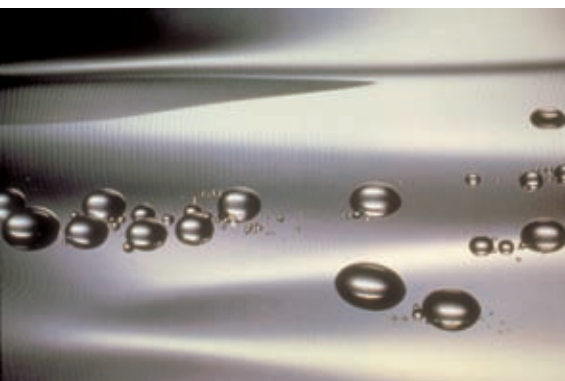
The speed at which technology develops, and consequently the shorter life cycles of products, make innovation a necessary tool for boosting development of companies and making the most of the opportunities that arise from these changes.

Good R&D&I strategy encourages advances that improve the efficiency of companies and their adaptation to market demands, thereby improving processes, products and services.

In 2008 CEPSA earmarked 1,449 million euros for R&D&I activities, an increase of 196% compared to 2007, mainly due to the following projects:

- Increase in production and reserves in the hydrocarbon exploration and production area.

- Completion of the underground section of a new offshore gas pipeline (MEDGAZ), the first in the Mediterranean located at a depth of 2,100 metres.
- In the refining area, extension of middle distillates production capacity and different projects in the "Gibraltar-San Roque" and "La Rábida" refineries.







R&D&I initiatives and investment

	2008	2007	2006
(Millions of euros)			
Innovation in product manufacturing, the design of process improvements and the expansion of activities	1,366	415	381
Innovation activities geared towards safety and reducing environmental impacts	52	49	32
Research and development	23	17	16
Other (new Research Centre)	8	8	-
<b>Total</b>	<b>1,449</b>	<b>489</b>	<b>429</b>

RESEARCH CENTRE

The research centre, which opened a new building in 2008, carries out intense and varied activities required by the Company's different areas. The centre's objectives include:

- Improvements to industrial processes in CEPSA Group facilities, aiming to increase their performance and to make them safer and more efficient.
- Quality control for the products sold by the Company.
- Reduction in the impact of industrial activity.

The centre is involved in research projects through collaboration with different entities. The most noteworthy initiatives currently underway include: the transformation of benzene to phenol in collaboration with the Catalysis Centre of the CSIC (the Spanish Scientific Research Council); the "Biosynergy" initiative, geared towards incorporating biomass derivatives in energy products; and "Ocmol", which transforms natural gas into fuel.

The centre also carries out a number of projects financed by the Government, including the development of crude oil production technologies in oil fields and the acquisition of knowledge and technology for manufacturing asphalt products from crude oil with a low asphalt content.

INFORMATION TECHNOLOGY

The Company has established an ongoing technological innovation process based on cost efficiency and reinvestment in improving processes, guaranteeing the security of information assets and developing innovative initiatives and projects that add value to CEPSA's businesses.

CEPSA is working on the following activities, which are considered of key importance for the future:

- Contribution of value to businesses.
- Development of authorised standards and architecture.
- Stimulation of process work.
- Advances in the technological area.
- Resource management.



## Case study: Improving asphaltic bitumen with used tyres

One of the consequences of Spain's ongoing economic development over recent years has been the rise in car use. According to data from the ANFAC (Spanish Association of Automobile and Truck Manufacturers), in 2008 there were over 28 million vehicles on the Spanish roads.

The use of automobiles leads to a number of waste products, including used tyres. Although these are not hazardous, they take up a lot of space in landfills, their combustion generates toxic gases and they are not biodegradable. Approximately 300,000 tonnes of used tyres are generated in Spain each year.

Tyre coverings are manufactured from various components, including rubber, an elastic compound which is vulcanised to make it more elastic and resistant.

Asphaltic bitumen is required for road construction and maintenance. This product is an oil derivative, and rubber powder may be added to enhance its characteristics.

Concerned by the rise in used tyres, the Ministry of the Environment implemented a National Plan for Used Tyres (known by its Spanish acronym PNFU), which considers that the public road network is a priority area for recycling this material, provided that it is technically and financially feasible.

The Ministry of Public Works, which is responsible for executing government policy on land-based transport infrastructures, has planned the use of this new bitumen within the base layers of Spain's motorways. This initiative will involve the use of approximately 300,000 tonnes of this new and improved product.

As a result of its R&D activity, CEPSA has developed a range of modified bitumen products enhanced with powdered tyre rubber through its subsidiary Productos Asfálticos, S.A. (PROAS), which is engaged in asphalt binder technology. The main improvement is that these products provide greater elasticity and cohesion than traditional products, and thereby increase the useful life of asphalt road surfaces.

The inclusion of powdered tyres in asphalt mixes for road surfaces is an interesting option, reusing waste and contributing synergies from a technical and financial perspective, as well as helping to alleviate an environmental problem.

The industrial use of this product has confirmed expectations, both in terms of quality and with regard to industrial performance.





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## Our commitment

Due to the nature of its activities, CEPSA assumes responsibility for the environment in which it operates. The Company is committed to reducing its environmental impact as much as possible, implementing a number of mechanisms to meet this objective.



## 2008 milestones

- Integrated Environmental Authorisation for the "Tenerife" refinery.  
Level of compliance:  100 %
- Completion of the construction of the new liquid effluent treatment plant in the "Tenerife" refinery.  
Progress:  90 %
- Optimisation of environmental parameters for all CEPSA facilities.  
Level of compliance:  60%
- Establishment of CEPSA's policy and general action plan for biodiversity protection.  
Level of compliance:  100%
- Analysis and evaluation of environmental risks in PROAS plants, based on standard UNE 150008.  
Level of compliance:  100%

## 2009 challenges

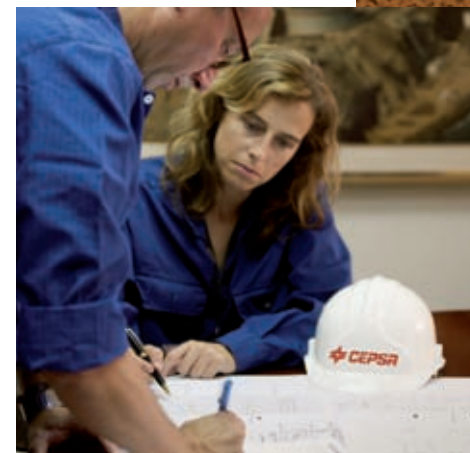
- To measure the impact of the activities carried out by the "Gibraltar-San Roque" and "Tenerife" refineries on air quality.
- To open the new liquid effluent treatment plan in the Tenerife refinery.
- To continue with the project to optimise environmental parameters for all CEPSA facilities.
- To carry out a study to improve the quality of liquid effluent in the "La Rábida" refinery.
- To define the strategy and action plans related to environmental responsibility legislation and Royal Decree 2090/2008.
- To develop action plans to protect and conserve biodiversity.

Environmental issues have become one of the most hotly debated topics in developed countries over the past ten years, with increased legislation and growing concern surrounding this area. Society in general, and more specifically ecological groups, are requesting policies and, above all, actions to stop or prevent the deterioration of our natural resources.

CEPSA has developed mechanisms to reduce at source any possible detrimental impacts that, due to the Company's industrial activity, may have on the environment. These are mainly based on the optimisation of energy efficiency in the

Company's processes, leading to a reduction in the use of raw materials and a decrease in emissions.

To ensure that all its centres and facilities act in the same way, CEPSE has a set of Basic Environmental Regulations that lays out the policies and environmental principles to be implemented in all the Company's operations. A standardisation project is also underway for the environmental parameters of the Group's industrial facilities.



ENVIRONMENTAL  
MANAGEMENT SYSTEMS<sup>51</sup>

These systems enable the Company to fulfil its commitments to legal compliance, ongoing improvements and preventing pollution established in its environmental policies.

The implementation of these systems is a commitment renewed every year and specified in the annual management programme, where the objectives and goals for complying with environmental policy are set down and documented.

ENVIRONMENTAL  
INVESTMENT

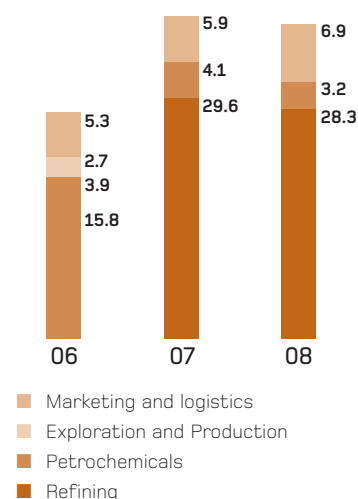
Investments in the environment reflect commitments undertaken to meet environmental targets. Stricter demands arising from the Integrated Environmental Authorisations (IEA) have been significant. In 2008 CEPSA's investment in improvement projects and environmental initiatives totalled 38.44 million euros.

The main investments in the refining area have been aimed at reducing atmospheric emissions and advances in recovering acidic gases. Wastewater treatment plants have also been upgraded at the "Tenerife" refinery, with a subsequent reduction in environmental impact. These facilities have also been extended in "La Rábida", with the addition of a new plant.

Investment in the petrochemical area has focused on energy-saving measures, as well as a change to a cleaner fuel, natural gas.

Environmental investment  
(Business units)

(Millions of euros)

Environmental investment  
and expense

Environmental aspect	2008				2007				2006 <sup>52</sup>	
	Expense		Investment		Expense		Investment		Investment	
	Millions of euros	%	Millions of euros	%	Millions of euros	%	Millions of euros	%	Millions of euros	%
Waters	25.81	37.6	7.84	20.4	25.86	43.8	5.36	13.5	6.0	21.7
Atmosphere	20.06	29.2	22.88	59.5	18.02	30.5	29.44	74.3	10.6	38.3
Waste	8.49	12.4	0.06	0.01	6.85	11.6	0.05	0.1	2.5	9.0
Soil and groundwater	6.89	10.0	4.85	12.6	3.98	6.7	1.98	5.0	4.9	17.7
Noise and others	7.45	10.8	2.81	7.3	4.30	7.4	2.80	7.1	3.7	13.4
<b>Total</b>	<b>68.70</b>		<b>38.44</b>		<b>59.01</b>		<b>39.63</b>		<b>27.7</b>	

<sup>51</sup> Further information on compliance with environmental objectives can be found in the 2008 CR report at [www.cepsa.com](http://www.cepsa.com).

<sup>52</sup> No information available on 2006 expenses.



## RESOURCE CONSUMPTION INDICATORS

This report details the key indicators of resources consumed by CEPSA facilities. Explanations are provided where annual variation is significant or due to an important project. In other cases, variations are usual considering plant operations.

### Energy consumption: direct and indirect

CEPSA uses crude oil and its derivatives as direct energy. Indirect energy is that consumed by means of intermediate sources, in the Company's case steam and electricity.

Direct energy consumed in 2008 totalled 103,570 thousand gigajoules, down 2.3% on 2007. This decrease is due to the implementation of several projects aimed at improving energy efficiency.

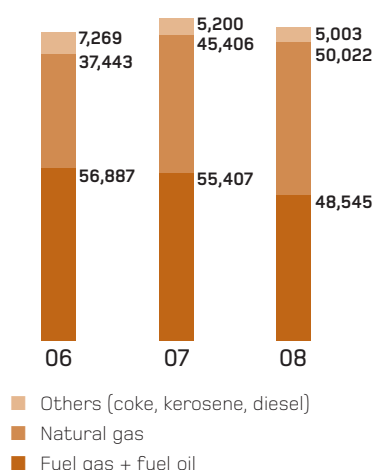
For indirect energy (steam and electricity), only data referring to electricity consumption is reported, as steam is a form of energy which is generated in the refineries through fuels which are already included in direct energy consumption.

In 2008 7,845 thousand gigajoules of indirect energy were consumed, a similar figure to that recorded in the prior year.

Both the direct and the indirect energy consumed by CEPSA comes from non-renewable sources, mainly natural gas, fuel gas, fuel oil and diesel.

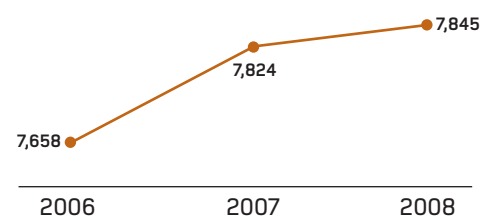
### Direct energy consumption (Breakdown by primary sources)

(Thousands of gigajoules)



### Indirect energy consumption\* (Electricity)

(Thousands of gigajoules)



\* In 2006 206.08 thousand gigajoules from other sources were also consumed.

### Direct and indirect energy consumption by volume of activity

2008 2007 2006  
(Gigajoules per production or crude oil processed)

#### Breakdown by business area

Refining (gigajoule / tonne of crude oil processed)	2.90	2.83	2.82
Petrochemicals (gigajoule / tonne produced)	5.04	5.36	4.60

### Consumption of raw materials

2008 2007 2006  
(Thousands of tonnes)

Refining	22,085	21,776	25,928
Petrochemicals	4,100	3,539	3,425

### Energy efficiency

This indicator allows parallels to be drawn between energy consumption and activity volumes for each area. For refining the amount of crude oil processed is used as a reference, whereas plant production is used for the petrochemicals area.

### Consumption of raw materials

The main raw material consumed by CEPSA is oil. In 2008 the Company used 21.4 million tonnes of crude oil for distillation in its refineries, as well as 0.7 million tonnes of other raw materials.



## ATMOSPHERIC EMISSIONS

Fuel consumption at CEPSA facilities generates atmospheric emissions. In addition to CO<sub>2</sub> emissions, and depending on their volume and environmental impact, the Company also reports emissions of nitrogen oxide (NO<sub>x</sub>), sulphur dioxide (SO<sub>2</sub>), particles and volatile organic compounds (VOCs). VOC measurements are not by centre but by emission focal points and therefore CEPSA has decided not to provide data for the year as comparison is not possible. Nevertheless, it should be noted that CEPSA complies with all demands of the integrated environmental authorisations applicable to its facilities.

In 2008 the Group consolidated the reduction of atmospheric emissions from its industrial plants. The main initiatives carried out in this regard were as follows:

**"La Rábida" refinery:** Overall decrease in fuel consumption and a reduction in the average sulphur content of fuels.

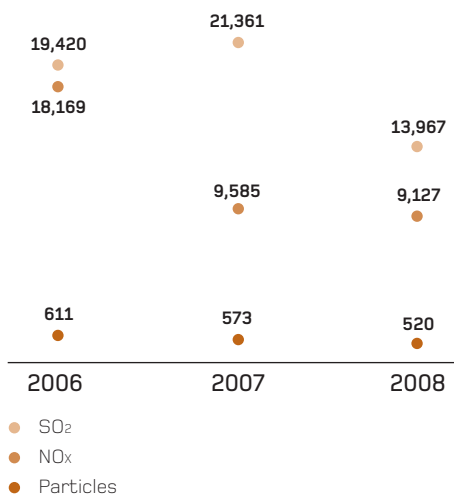
**"Gibraltar-San Roque" refinery:** Improvement of fuel quality (manufacture of fuel oils with lower sulphur content), and improvements in the amine plants, with a fuel that is practically sulphur-free (fuel gas).

**CEPSA Química Puente Mayorga plant:** Adaptation of furnaces for the consumption of natural gas. Since 2007 97% of total fuel consumption by this plant has been natural gas.

**Other activities:** Changes in the truck fleet to include vehicles with lower consumption and emissions.

Atmospheric emissions\*  
(By type of compound)

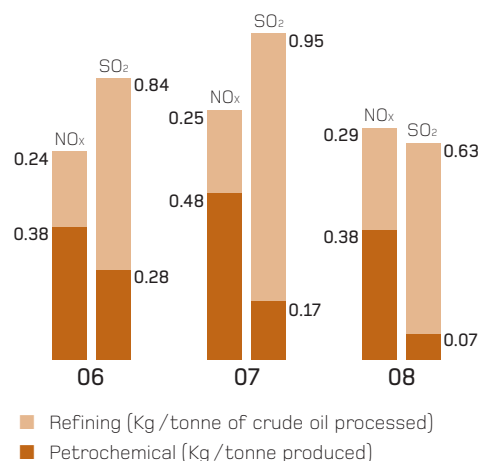
(Tonnes)



\* 2007 emissions included data on exploration and production for the first time, and consequently prior years' values have not been modified.

SO<sub>2</sub> and NO<sub>x</sub> emissions

(By production unit or crude oil processed)



## WATER CONSUMPTION AND REUSE

In 2008 water consumption totalled 34.6 million m<sup>3</sup>, down 27.6% on 2007 mainly due to the decrease in production within the petrochemicals area and the lower amount of water injected in wells by the exploration and production area (60.8% lower than in 2007 because of the lower number of wells drilled).

The reuse of water continued in 2008 with the double objective of reducing consumption and the amount of liquid effluents that need to be treated before final discharge. During the year, a total of 0.621 million m<sup>3</sup> of water was recycled.



### Volume of water recycled and reused (V. Rec)<sup>53</sup>

	2008			2007			2006		
							(Thousands of m <sup>3</sup> )		
By business area	Total vol.	Rec. vol.	%	Total vol.	Rec. vol.	%	Total vol.	Rec. vol.	%
Exploration and Production	8,367.38	0	0	21,325.60	0	0	20,433.26	0	0
Refining	13,438.59	608.21	4.53	12,792.36	2,206.46	17.25	12,624.69	725.83	5.75
Marketing and logistics	1,186.74	0.022	0.020	997.47	0.018	0.002	952.53	23.25	2.44
Petrochemicals	10,607.95	13.16	0.12	11,590.23	14.51	0.12	10,339.91	321.77	3.11
Others	994.63	0		1,068.94	0	0	1,302.74	0	0
<b>Total</b>	<b>34,595.29</b>	<b>621.39</b>	<b>1.80</b>	<b>47,774.60</b>	<b>2,220.99</b>	<b>4.65</b>	<b>45,653.13</b>	<b>1,070.85</b>	<b>2.35</b>

## CONTROLLED DISCHARGE MANAGEMENT

All CEPSA's production facilities have effluent treatment plants to ensure that discharges are within the limits established by prevailing legislation. Although the total volume of controlled discharges has fallen compared to prior years, almost all business areas have increased the volume of these discharges due to unusual rain levels in the south of the Iberian Peninsula, as 75% of CEPSA's domestic production facilities are located in this area.

### Volume of controlled discharges

	2008	2007	2006
	(Thousands of m <sup>3</sup> )		
By business area			
Refining	8,401.86	7,649.73	7,983.94
Petrochemicals	6,476.71	5,004.89	4,575.06
Exploration and Production	27.08	25.51	26.29
Marketing and logistics <sup>54</sup>	1,259.19	996.93	1,032.71
Others (Research centre and NGS)	127,491.27	141,629.84	178,446.06
<b>Total</b>	<b>143,656.11</b>	<b>155,306.90</b>	<b>192,064.85</b>

<sup>53</sup> For calculating the volume of water recycled/reused, the number of production cycles in which a single load of water is used is considered. If 20 m<sup>3</sup> of water is required for a cycle and it is subsequently reused for a further three cycles, the total amount recycled/reused for this process is 60 m<sup>3</sup>.

<sup>54</sup> No data is provided for CEDIPSA; liquefied gas or CECOMASA, although they are not representative of the total.



## WASTE MANAGEMENT

Different kinds of waste are segregated when generated, depending on their composition and characteristics, for subsequent treatment, recycling or dumping. Waste is removed by external, government-authorised companies.

All waste is segregated when it is generated, and the type of segregation depends on the danger of the waste. Consequently, hazardous, industrial, non-hazardous and waste which could be classified as urban waste are all managed differently.

Waste generated by the Exploration and Production area mainly comprises solid waste from well drilling, considered as non-hazardous. The variation in this waste over time is due to increases or decreases in the number of wells drilled in oil beds.

Waste management generated	2008	2007	2006
			(Tonnes)
Hazardous waste	31,450.99	45,852.78	44,418.4
Non-hazardous waste	15,230.39	23,352.63	20,485.63
<b>Total</b>	<b>46,681.38</b>	<b>69,205.41</b>	<b>64,904.03</b>

Exploration and Production waste	2008	2007	2006
			(m <sup>3</sup> )
<b>Non-hazardous waste (from drilling)</b>	<b>1,872.60</b>	<b>4,550.00</b>	<b>13,164</b>

Hazardous waste generated by activity volume	2008	2007	2006
			(Production unit or crude oil processed)
<b>By business area</b>			
Refining (Kg/tonne of crude oil processed)	1.03	1.21	1.03
Petrochemicals (Kg/tonne produced)	1.42	3.27	4.80

## Materials and products recoverable at the end of their useful lives

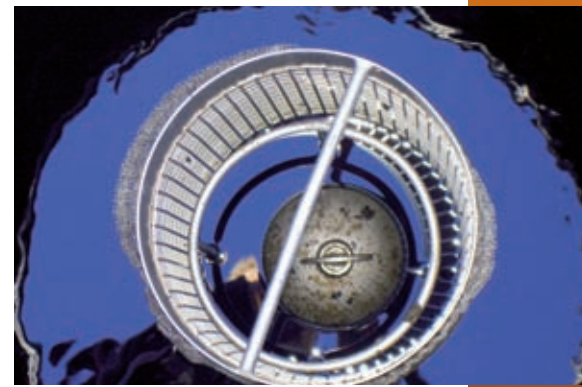
CEPSA produces a large variety of products which are either converted into energy or used as raw materials in other production processes. Most are distributed in bulk. An exception are lubricants, which are partly distributed in containers which can be recovered together with the lubricants at the end of their useful lives. CEPSA Lubricantes S.A. uses the integrated management system for containers and waste, which

guarantees collection of 100% of all containers, and the used oils management system (SIGAUS), launched in 2007, which for a fee guarantees the collection and recovery of used oils and containers for all packaged lubricants sold.

The process for compiling data on the amount of used lubricant oils recovered is external.







## Rrecovered products<sup>55</sup>

	2008			2007			2006		
							(Thousands of m <sup>3</sup> )		
	Amount recovered (Kg)	Total products sold (Kg)	% recovered	Amount recovered (Kg)	Total products sold (Kg)	% recovered	Amount recovered (Kg)	Total products sold (Kg)	% recovered
Products	55,363,428	110,748,700	50.00	62,937,317	98,889,437	63.64	5,497,212	7,430,460	73.98

## PRODUCT TRANSPORTATION MANAGEMENT

The main impact of the transportation of CEPSA products is the energy consumed and pollutants emitted into the atmosphere. The environment is also affected, to a lesser extent, by

accidental product spillages and noise. CEPSA works to reduce these effects by using cleaner and more efficient fuels, training its workers and regularly reviewing vehicles involved in loading and unloading operations.

To meet environmental requirements and comply with European double hull legislation, CEPSA has renovated its fleet over recent years. At 31 December 2008, the Company only operates double-hulled vessels.

To avoid spillages and their potential impact, the Company has implemented initiatives including, inter alia, preventative measures in loading and unloading areas and maintenance activities carried out on decontamination infrastructures and equipment.

The Company has numerous general and specific procedures relating to preventative inspections of its facilities, which detect any anomalies that may lead to accidents or incidents (and, in some cases, to spillages) before they actually occur.

In the case of spillages during the loading/unloading of products, in order to avoid any possible contamination, the Company is working on the implementation of systems to detect and raise the alarm on hydrocarbon leaks from floating and submerged hoses on single buoy moorings, and systems to predict oil spill drifts.

CEPSA is also involved in the international project for the prevention of hydrocarbon marine pollution, which focuses on the southern Mediterranean and the western coast of Africa, managed by Algerian-based limited company OSPREC-SPA.



<sup>55</sup> Quantitative data only refers to lubricants distributed by CEPSA Lubricantes, S.A. From July 2007 onwards mention is also made of lubricants at domestic level and not only local level (the geographical region of the Canary Islands), as had been done in prior years.



## CEPSA'S POSITION REGARDING RECENTLY ENACTED LEGISLATION

As in the 2007 report, in addition to information on environmental performance, this section describes CEPSA's position on current topics in environmental legislation.

### Integrated Environmental Authorisation and projections for adapting to best available techniques

The CEPSA installations requiring Integrated Environmental Authorisation (IEA) under Law 16/2002 on Integrated Pollution Prevention and Control are the three refineries, "Gibraltar-San Roque", "La Rábida" and "Tenerife", and the three petrochemical plants: Palos de la Frontera (Huelva), Puente Mayorga and Guadarranque (Cádiz).

At 31 December 2008 all of these centres have the pertinent Integrated Environmental Authorisation.

Other facilities affected by Law 16/2002, in which CEPSA holds 50% of share capital, are as follows:

- ASES: This facility has integrated environmental authorisation, granted by the honourable councillor for *Medi Ambient i Habitatge* (Environmental Department) of the Catalan Regional Parliament.
- Nueva Generadora del Sur (NGS): NGS was granted Integrated Environmental Authorisation in August 2004 by the Regional Delegation of the Cádiz Department of the Environment.

More restrictive emission limits have been set for facilities with IEA, in line with the best available technologies. Since authorisation was granted different measures have been applied, including:

- Implementation of LDAR (Leak Detection and Repair) programmes.
- Studies for the reduction of odours from the wastewater treatment plant.
- Expansion of the air quality control and monitoring network.
- Consumption of fuels with extremely low sulphur content, both in liquid and gaseous form.
- Implementation of best available technologies for purifying the organic compounds emitted at process source areas, as well as the implementation of systems to wash silo effluents.
- Plan for waterproofing tank bottoms and leak detection systems, bringing these into line with international standards.

### Adaptation of large combustion plants to the National Allowance Allocation Plan

To comply with requirements concerning the reduction of atmospheric pollutants emitted by large combustion plants, the use of low-sulphur fuels has been implemented across the board, as has the increased use of gas fuels with extremely low sulphur content, such as natural gas and refinery gas, and the installation of burners with low levels of nitrous oxides.



## Case study: An industrial activity compatible with the environment

The "Gibraltar-San Roque" refinery is the CEPSA facility with the greatest capacity for processing crude oil at domestic level, distilling over 12 million tonnes each year. To ensure that the plant's activity is compatible with the protection of the surrounding environment, the Company earmarks the resources required to reduce the impact of its operations.

One of the most useful instruments for complying with the environmental objectives set by the Department of the Environment is the voluntary agreement signed by the refinery and the Andalusian Government in 2006, which also served as the basis for obtaining Integrated Environmental Authorisation (IEA) the following year.

Under this agreement, the "Gibraltar-San Roque" refinery has committed to implement a number of initiatives over a 4-year period. The measures already carried out include the following:

- Implementation of a new sulphur plant, adapting best available techniques within production processes to prevent and reduce the emission of gases and particles into the atmosphere. The total sulphur recovery capacity of the refinery stands at between 200 and 275 tonnes per day.
- Various improvements with regard to energy efficiency and the performance of combustion facilities.
- Start-up of a project for reusing wastewater for fire-fighting purposes.
- A plan has been implemented to monitor, control and report the environmental impact of facilities, with the creation of a neighbourhood committee that meets on a regular basis with refinery representatives to keep up-to-date on the situation of the facilities.
- Initiatives related to noise pollution. Having prepared a list of possible noise sources, the plant's air compressors were changed, leading to a reduction in the noise they emit within the industrial zone and the surrounding area.
- Environmental training for centre employees and the implementation of landscape integration, which will continue throughout 2009.

The initiatives carried out by the refinery up to 2008 comply with 80% of the objectives established in the voluntary agreement signed two years ago, which had foreseen double this time for completion. These results indicate the implementation of the majority of the environmental improvements considered.





## PROTECTING BIODIVERSITY

CEPSA is aware that the operations carried out in its facilities may have a negative impact on the natural habitats of the areas in which they are located. Every year the Company implements a wide-reaching programme of measures designed to reduce the effect on the environment in which it operates and the impact on biodiversity.

The Company's activities involve a range of processes, covering air, water, land, natural resources, flora, fauna and people and their relationships, and, consequently, the potential impacts may be both direct and indirect.

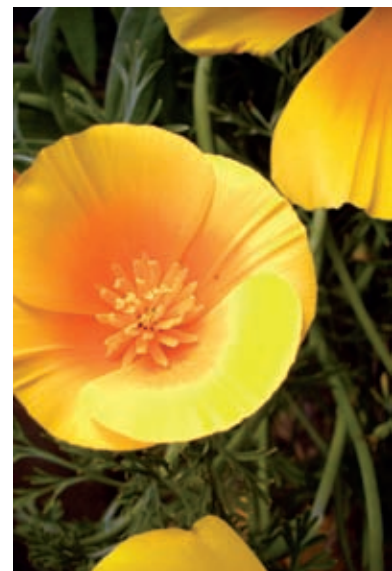
Environmental Responsibility Law 26 of 23 October 2007 was partially implemented by Royal Decree 2090 of 22 December 2008. To prepare for this new environmental responsibility legislation,

CEPSA has created biodiversity protection standards to define its policy and criteria for action to protect and conserve biodiversity, providing a framework for the numerous initiatives of the Group to protect the natural environment.

The following initiatives were carried out by the Company<sup>56</sup> through activities to encourage awareness and respect for the environment, focusing in particular on the younger members of society support for projects aimed at conserving nature:

- Project to protect chameleons, in collaboration with the ecological organisation CANS and the town of Chipiona (Cádiz).
- Tarifa ornithology fair on the migration of birds in the Strait of Gibraltar.
- Evaluation of land neighbouring the "Gibraltar-San Roque" refinery to study the feasibility of establishing biodiversity protection measures for endangered or declining species in the Campo de Gibraltar region (Cádiz).
- Collaboration with CIRCE (association for collaboration, information and study of cetaceans).
- Environmental campaign in the Canary Islands entitled "React for the future of your islands", for children aged between 11 and 12, to raise their awareness of the environment and saving energy.

- In Huelva work has continued on the conservation, maintenance, management and public use of the Laguna Primera de Palos wetlands. The agreement with the Environmental Department of the Andalusian regional government has also been extended to support the Calatilla nursery, opened last year to protect threatened local flora species.
- In Colombia initiatives have included support in the organisation of "bio-holidays" for children and adolescents, where all activities are focused on environmental education.



<sup>56</sup> Further information on these projects in the 2008 Corporate Responsibility Report at [www.cepsa.com](http://www.cepsa.com), in the Appendix entitled 2008 Corporate Responsibility Initiatives.

## Case study: CEPSA, encouraging the protection of cetaceans

CEPSA's concern for the environment has led the Company to carry out activities focused not only on sustainable development, but also on biodiversity protection in the areas where it operates, including the Bay of Gibraltar (Cádiz).

The waters of the Strait of Gibraltar are home to one of the largest reserves of cetaceans in the world, with stable populations of killer whales, dolphins and pilot whales. The area is also transited by whales and sperm whales, which from time to time make the Strait their temporary home. A significant tourist industry has been built up around these creatures which, along with intense maritime and fishing traffic, endangers and threatens the survival of these animals.

Many of the risks faced by these mammals can be alleviated through better training and information for the groups that come into contact with them which, in general, are largely unaware of the impact of their presence in areas where these animals are raised. The local populations should also be informed of the active role they play in protecting this unique environment.

In this spirit, and based on the Company's support of studies in Spain and Brazil of marine biology since the 1990s, CEPSA has joined forces with CIRCE, a prestigious scientific non-profit organisation with extensive experience in the study and preservation of cetaceans in the Strait of Gibraltar. A strategic environmental education plan has been drawn up, focusing on tourism, fishing and teaching professionals.

In 2008, the most noteworthy activities carried out in this area include the first workshop for the conservation of cetaceans in Gibraltar, held at the start of December. Organised by CIRCE and supported by CEPSA, this event aimed to prepare a report on cetaceans in the region, plan future research and educational projects, development teaching units for trainers and create a forum for contact between the various groups involved.

The workshop was a great success, bringing together for the first time representatives from government, natural parks, private entities, tourism, environmental and general education, authorities and scientists. These individuals came together around the shared objective of conserving the cetaceans within the Strait, largely agreeing on the diagnosis of problems and the proposal of solutions within the area.

To ensure that the objectives laid out become reality, the following initiatives have been proposed for 2009: the publication of a book with the conclusions on the event; the signing of an agreement between CIRCE and CEPSA to encourage initiatives in environmental education; and, along with the Ministry of the Environment and Rural and Marine Affairs and the Biodiversidad Foundation, the financing of a study which will serve as the technical basis for defining a more suitable conservation policy for the long-finned pilot whale (*Globicephala melas*) in the Spanish Mediterranean.



## Greenhouse gases

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## Our commitment

CEPSA is committed to reducing its GHG emissions. The Company considers that energy saving and energy efficiency initiatives are the best means for achieving this goal.



## 2008 milestones

- Compliance with the National Allowance Allocation Plan.  
Level of compliance:  100%
- Completion of studies for the storage of CO<sub>2</sub> in saline aquifers.  
Level of compliance:  50%
- Work has continued with the study for the implementation of renewable energies.  
Level of compliance:  Más del 50%

## 2009 challenges

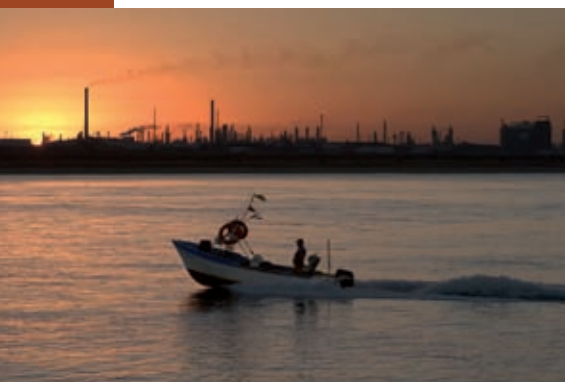
- To reduce emissions by 8% over the 2005-2009 period by implementing the Profit Improvement project.
- To complete the implementation of projects developed with consultancy firm KBC to reduce energy consumption in the "Gibraltar-San Roque", "Tenerife" and "La Rábida" refineries.

Greenhouse Gases (GHG) are atmospheric gases which maintain the earth's temperature, by retaining part of the energy emitted by the sun and generated on the earth (from both natural sources and created by mankind), preventing this heat from escaping immediately into the atmosphere. This warming effect is known as the "greenhouse effect" due to its similarity to heat trapped by the glass panels of a greenhouse.

Due to their combustion, fossil fuels such as gas, oil and coal create almost two-thirds of GHG emissions. Despite this, they are the main sources of energy in the world.

CEPSA has assumed the precautionary principles adopted by the European Union in this regard, and aims to provide a response to this issue by measures geared towards optimising processes and savings and controlling energy consumption.





## MANAGING GREENHOUSE GASES (GHG)

CEPSA has two units responsible for the management and control of emissions from the different centres involved in Company activity:

- The CO<sub>2</sub> Committee, which monitors compliance with prevailing GHG legislation and plans initiatives relating to flexible mechanisms for CO<sub>2</sub> markets, including participation in the Spanish Carbon Fund (FEC)<sup>57</sup> and Clean Development Mechanism (CDM)<sup>58</sup> projects.
- The GHG management department, which has the following functions: overseeing compliance with Kyoto Protocol directives and European and Spanish regulations and establishing systems for monitoring CO<sub>2</sub> emissions; defining, proposing and managing the strategies necessary to achieve the objectives set by the Company to reduce GHG emissions; and, finally, collaborating with different Spanish and European organisations to optimise the application of various directives emissions of these gases.

### Emissions by business area

	2008		2007		2006	
					(Kilotonnes)	
	CO <sub>2</sub>	CO <sub>2</sub> Eq <sup>59</sup>	CO <sub>2</sub>	CO <sub>2</sub> Eq	CO <sub>2</sub>	CO <sub>2</sub> Eq
Refining	3,372	3,399	3,316	3,329	3,319	3,341
Petrochemicals	837	840	837	855	832	829
Exploration and Production	320	337	206	217	271	317
Cogeneration	860	864	885	893	863	870
Combined Cycle Power Plant	755	761	755	762	744	751
<b>Total</b>	<b>6,144</b>	<b>6,200</b>	<b>5,999</b>	<b>6,056</b>	<b>6,030</b>	<b>6,108</b>

### Direct GHG emissions

	2008		2007		2006	
					(Kilotonnes)	
	(kt CO <sub>2</sub> eq)	%Variation	(kt CO <sub>2</sub> eq)	%Variation	(kt CO <sub>2</sub> eq)	%Variation
<b>Total</b>	<b>6,200</b>	<b>2.4</b>	<b>6,056</b>	<b>0.9</b>	<b>6,108</b>	<b>-7.0</b>

57 Created with an investment of 170 million euros in 2005, the Fund is managed by the World Bank. Its resources are allocated to purchasing emission reductions through Clean Development Mechanism projects.

58 The Clean Development Mechanism is an arrangement under the Kyoto Protocol whereby companies with greenhouse gas reduction commitments in the first period between 2008-2012 can invest in projects to reduce emissions in developing countries, as an alternative means of acquiring certified reductions of emissions at lower costs than in their own markets.

59 CO<sub>2</sub> equivalent (CO<sub>2</sub> eq) is the sum of the CO<sub>2</sub> emitted plus the tonnes of methane and nitrous oxide, multiplied by their global warming potential.



## INVENTORY OF GHG EMISSIONS

The GHG management department is responsible for performing an annual inventory<sup>60</sup> of direct emissions of the three main GHGs emitted by the Company during its activities: carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>) and nitrous oxide (N<sub>2</sub>O).

Considering total emissions at both Spanish and international level, and as a consequence of the increase in E&P production (among other areas), CEPSA increased its emissions by 2.4% in 2008 compared with 2007.

However, in terms of compliance with the National Allowance Allocation Plan, as a result of the projects it has implemented, the amounts emitted by the Company are less than its allocation.

## IMPROVING PROCESSES

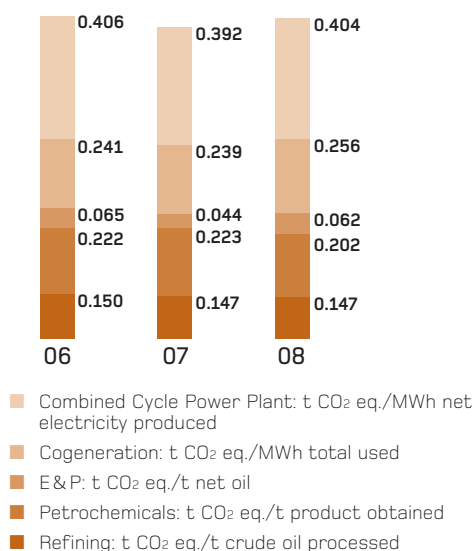
For several years CEPSA has been carrying out an action plan aimed at optimising its processes, searching for energy savings and efficiency as key factors in the minimisation of GHGs.

The development and implementation of projects related to this plan have been staggered over recent years, beginning

with those involving high levels of energy recovery. Consequently, although the other measures should be implemented as they will help contribute to savings, they have a lower or a more long-term impact.

In total, CEPSA invested over 25 million euros in 2008 in projects for improving energy efficiency<sup>61</sup>.

### Emissions by business area

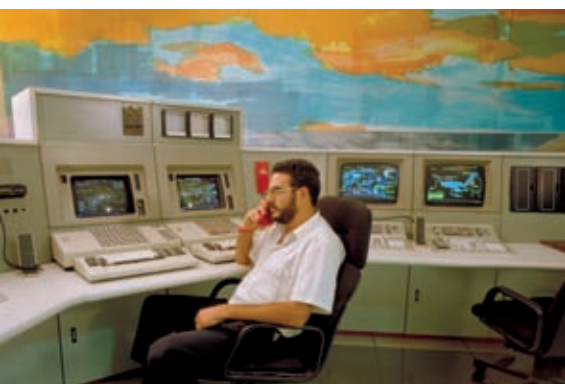


## IMPROVING PRODUCTS

Product efficiency is another aspect which contributes to reducing GHGs, and changes to their composition and improved performance have a direct impact on emission levels.

The most important initiatives carried out by the Company in this regard are as follows:

- Incorporation of biocomponents (ETBE and biodiesel).
- State-of-the-art lubricants.
- *Óptima* range fuels.
- *Agromax* diesel.
- *Rendimiento* heating gas oil.



<sup>60</sup> To define the scope of the inventory, and based on the facility in question, CEPSA applies pre-determined criteria, which can be consulted in the 2008 Corporate Responsibility Report at [www.cepasa.com](http://www.cepasa.com).

<sup>61</sup> Further information on some of the projects that have been carried out is available at [www.cepasa.com](http://www.cepasa.com), in the 2008 Corporate Responsibility Report. This can be found in the risks and challenges deriving from GHG legislation section in the "Greenhouse Gases" chapter.





## RISKS AND CHALLENGES DERIVING FROM GHG LEGISLATION

To contain GHG emissions, the European Union is firmly committed to the Kyoto Protocol, which led to a range of initiatives that represent important challenges for companies. The Spanish Government has played an active role in these initiatives, preparing strategic lines that ensure compliance with the obligations arising for Spain. These include, inter alia, renewable energy plans, energy savings measures, support for rail transportation and modification of the National Allowance Allocation Plan.

As a continuation of the Kyoto Protocol (2008-2012), the European Commission has proposed a new plan, which will come into force on 1 January 2013. This initiative involves a further reduction in emissions, encouraging the elimination of allocation and its replacement by emission auctions.

Under this new plan and considering the risk of loss of competitiveness determined by the European Union for the different industrial sectors, CEPSA facilities may be affected (to a lesser or greater extent), substantially increasing the need to acquire emission rights compared to the current situation.

CEPSA has therefore implemented measures geared towards reducing its emissions, focusing on those related

to control measures, energy savings, and efficient plant operation. The Company also collaborates with different Spanish and European organisations to coordinate and minimise the possible negative impacts that the future Directive could have on CEPSA facilities.



### Financial data related to GHGs

	2008	2007	2006
		(Thousands of euros)	
Investment in R+D	334	284	266
Clean Development Mechanisms <sup>62</sup> (amount paid to the FEC)	-	535	-
<b>Investment in projects to save energy and reduce CO<sub>2</sub> emissions</b>			
Refining	12,520	5,457	4,184
CEPSA Química	3,206	255	1,710
Cogeneration (GEPESA)	9,425	-	-

<sup>62</sup> The contribution to the Spanish Carbon Fund (FEC) in 2007 was used to pay the ERCs (emission reduction credits) received in 2008, as well as to pay advances that allowed CDM projects to be carried out that will generate ERCs in the future. Each ERC represents a reduction of one tonne of carbon dioxide.

## Case study:

### New heat exchanger in the “La Rábida” refinery. Saving energy and reducing CO<sub>2</sub> emissions.

Crude oil, in the form in which it is extracted from the oil field, does not have any practical applications. It is therefore necessary to separate it into different fractions, which can then be individually used. Distillation is the first stage, and is used to obtain a wide range of products including naphtha, a liquid product which is used, among other applications, as a raw material for the petrochemical industry and for the manufacture of oil.

Following distillation, to obtain the products required, the sulphur is removed from the naphtha and it is sent to the platformer unit, with a daily capacity of 11,000 barrels. Here it is converted into benzene, an aromatic compound which, in the case of the “La Rábida” refinery, is used to produce further benzene and petrol.

The platformer unit has a train of heat exchangers, housed in tubular casing, used to pre-heat the load by recovering the heat from the current produced during the reaction. In 2005 KBC, a consultancy firm that specialises in energy saving solutions and improvements to profitability and the value chain, carried out an analysis of all the factors involved in the naphtha and aromatics manufacturing processes, proposing the application of pinch technology<sup>63</sup> in this unit's exchangers.

The solution proposed for the platformer was to replace the existing heat exchanger train with a state-of-the-art Packinox plate heat exchanger, which is much more efficient in thermal and hydraulic terms. According to initial estimates from KBC, this piece of equipment (one of only 300 in the world) will improve the efficiency of the former exchangers, leading to a fuel saving of 2,847 tonnes of oil equivalent per year and a subsequent reduction of 8,691 tonnes of CO<sub>2</sub> emissions per year.

Following completion of the feasibility study on the performance of the new unit and other variables, which confirmed the validity of the modifications proposed and the forecast saving, CEPSA decided to carry out the project, which commenced in January 2007 and culminated with start-up of the unit in April 2008.

The results obtained show a 35°C increase in load temperature upon entering the furnace, meaning that consumption is down by over 12%. Depending on the load sent to the unit, this leads to a saving of fuel oil equivalent of between 2,300 and 2,900 tonnes per year, bringing CO<sub>2</sub> emissions down by between 7,600 and 9,700 tonnes per year, which is within the expected parameters. Hydraulic improvements have also allowed loads to be increased by approximately 30% compared to the prior system.



<sup>63</sup> Pinch technology is a methodology which optimises the energy recovered at industrial installations by using hot currents which require cooling and cold currents which require heating, analysing these currents and determining the exchange of heat which best complies with established pinch criteria.

# APPENDIX: GLOSSARIES

## Sector terminology

### Aromatics:

Products derived from benzene, commonly used as a raw material in the petrochemical industry.

### Bioethanol:

Ethyl alcohol obtained from vegetable products, such as cereals.

### Catalyst:

A substance which, in a small amount, alters the speed of a chemical reaction, generally speeding it up, and is regenerated unchanged at the conclusion of the reaction.

### Cogeneration:

Energy generation system that produces heat and electricity in a single process.

### Conversion:

Process carried out subsequent to distillation during which heavier components, such as fuel and gas oil, are transformed into other lighter components.

### Vacuum distillation:

A method of distillation that uses atmospheric fuel as a raw material, which is obtained by reducing the pressure above the liquid mixture to less than atmospheric pressure in a vacuum system installed at the top of the column to obtain asphalts and lubricants, amongst other products.

### ETBE:

Ethyl tertiary butyl ether.

### FCC:

Fluidised-bed catalytic cracking unit. Conversion plant which obtains light products from a mixture of heavy gas oil, vacuum gas oil and, in some cases, atmospheric residue. The process is carried out through thermal cracking and also uses a catalyst to obtain a greater variety of products.

### Sulphur plant:

Treatment plant which recovers this product for monitoring and commercialisation.

### Treatment plant:

Group of plants whose purpose is to adapt products to required specifications, including the ETBE plants, Alkylation and Isomerisation plant, which obtain high-quality unleaded oil.

## Expressions and acronyms used in the report

### Barrel:

Standard measurement for crude oil, equivalent to 159 litres.

### Biofuels:

Any type of fuel derived from recently living organisms or their metabolic waste.

### Biodiesel:

Fuel derived from vegetable oils for use in motors.

### Combined cycle:

Energy generation systems that combine gas and steam turbine cycles to obtain better performance with less environmental impact.

### CO<sub>2</sub>:

Carbon dioxide.

### COASHIQ:

Organisation that prepares statistics with the data from its associates, in Spain forming the largest representation of the industry related to chemical products. CEPESA's refineries and three petrochemical plants located in Spain are associated with this organisation.

### VOC:

Volatile Organic Compounds. These are chemical compounds of varying structure that are generated in the manufacturing plants, in storage and in product loading operations and may be involved in the production of tropospheric ozone.

### Emission Rights:

Allowances or credits conceded to organisations permitting compliance with Kyoto protocol aims and can consequently be traded within a regulated market.

### Effluent:

Waste in liquid resulting from the different processes of a production plant.

### GJ:

Gigajoule. 109 joules. (1,000 million joules). The joule is the work unit of the International System, equal to the work done by a force of one newton, whose point of application moves one metre in the direction of the force.

### IPPC:

European directive that aims to prevent and reduce pollution from different activities.

### ISO:

International Organisation for Standardisation.

### ISO 9001:

Certifiable International quality management standard.

### Clean development mechanism (CDM):

Projects designed to reduce emissions in under-developed countries mentioned in the Kyoto agreement.

### MW:

Megawatt.

### UNE-EN ISO standard:

International standard in the Spanish field.

### NO<sub>x</sub>:

Nitrogen oxide.

### ILO (International Labour Organisation):

United Nations organisation that promotes social justice and internationally recognised human and labour rights.

### United Nations Global Compact:

Initiative created in 1999 by the Secretary General of the United Nations to encourage the private sector to undertake environmental, labour, human rights protection and anti-corruption commitments.

### National Allowance Allocation Plan:

Distribution of emission rights at installation level, (approved by the Spanish government and adapted under European directive 87/2003) in conjunction with the reduced emissions commitment assumed by Spain on ratification of the Kyoto protocol.

### Kyoto Protocol:

International agreement reached in 1997 through which the most developed countries undertook to reduce greenhouse gas emissions to stabilise the concentration of these gases in the atmosphere at a level which would not interfere dangerously with the climatic system.

### PTA:

Purified terephthalic acid.

### REACH:

Registration, Evaluation and Authorisation of Chemicals.

### SO<sub>2</sub>:

Sulphur dioxide.

### t:

Metric tonne.

### UNE 1500008 EX:

Spanish standard for evaluation of environmental risks from installations of business activity, particularly in the industrial sector.

### Waste / residual upgrading:

All processes which allow resources contained in waste to be reused.



Contact details:

Please send your questions, contributions, suggestions and comments on this report to us through the following channels:

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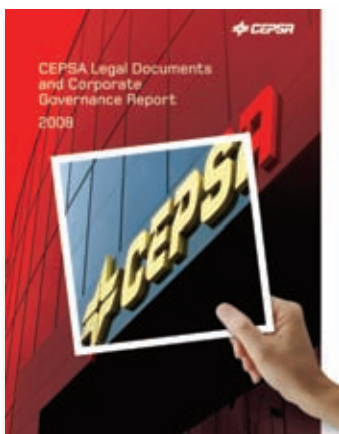
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## OTHER INFORMATION OF INTEREST ON CEPSA

2008  
Annual Report



2008 CEPSA Legal Documents  
and Corporate Governance Report



CEPSA website  
[www.cepsa.com](http://www.cepsa.com)



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