

Summary
2007
Corporate
Responsibility
Report



Contents

This document is a summary of the issues that CEPSA considers most important to its stakeholders. For further information on CEPSA's economic, social and environmental performance, please visit the company's website at www.cepasa.com.

03
Key Financial,
Social and Environmental
Indicators



04
18
Generating
Value



06
30
Customers



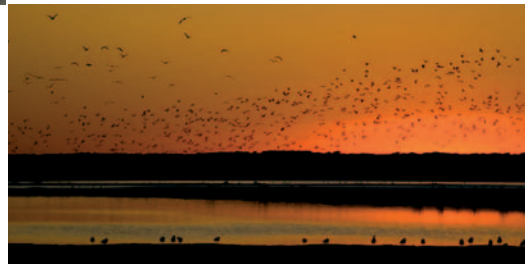
08
38
Part of the
Community



09
44
Commitment
to Technology



11
52
Environmental
Management



02
Message
from the Chairman



01
04
Company
Profile



02
08
CEPSA
and Corporate
Responsibility



05
22
Employees



07
34
Suppliers



10
48
Greenhouse
Gases



64
Appendix:
Glossaries



03
14
Energy
Supply



Message from the Chairman



I am pleased to present the 2007 Corporate Responsibility Report, recording the initiatives taken by CEPSA with such goals as attracting and retaining our professionals, reducing the impact of our activities on the environment, securing the support of our shareholders and deepening the commitment to our customers. These measures help us achieve our business objectives whilst maintaining the public trust necessary for CEPSA to stand out as a responsible enterprise.

Over 11,000 professionals worked for CEPSA in 2007. Thanks to their excellence and experience and our corporate culture founded on respect, transparency, quality, safety and commitment to business targets, the Company also progressed in terms of corporate responsibility.

This has been a difficult year for our sector. The high price of oil, largely due to demand from emerging economies, is expected to persist according to the International Energy Agency, with oil consumption continuing to grow in the coming years.

Oil companies are therefore facing the challenge of satisfying energy needs together with public demand for sustainable development. CEPSA has supported and developed the projects required to achieve this goal, by making efficient use of resources and taking particular care with the environment.

Driven by our social commitment, CEPSA has been working for years to improve our activities. It is a pleasure to present some of the advances achieved in this report. Notable milestones include the constant growth in our numbers of employees over the last ten years; the substantial reduction in occupational accidents; our application of the most advanced measures for energy savings and efficiency; positive results from our efforts to improve relations with our customers, and our increased contact and exchanges of information with the local population at our industrial plants.

Dialogue with our stakeholders continues to provide us with constructive suggestions. A new consultation process has been implemented for preparing this report, following the G3 guidelines of the Global Reporting Initiative. Our support for such initiatives as the Global Compact also gives us a point of reference for carrying out our activities within a framework of responsibility.

Finally, I would like to express my satisfaction at the recognition received from the Spanish Institute of Registered Auditors (ICJCE) and Spanish Association of Accounting and Business Administration (AECA) for the previous Corporate Responsibility Report, which was a finalist in the VI edition of the competition for best sustainability report by Spanish companies.

I am confident that this Report will highlight our firm commitment to Corporate Responsibility and I trust that readers will appreciate our achievements in this field.

Carlos Pérez de Bricio
Chairman and Chief Executive
Officer of CEPSA

Key Economic, Social and Environmental Indicators

Economic	2007	2006	2005
Financial and operating			
Crude produced (working interest ¹) (Millions of barrels/year)	42.3	41.6	40.0
Distilled crude (Millions of tonnes)	21.8	21.7	21.5
Net crude sold (Millions of barrels/year)	7.2	8.7	9.9
Products sold, excluding crude sales (Millions of tonnes)	30.4	30.0	29.8
Net sales (Millions of euros)	18,888	18,474	16,188
Operating profit ² (Millions of euros)	1,120	1,153	1,528
Recurring operating profit ³ (Millions of euros)	956	1,089	1,276
Investments in the year (Millions of euros)	635	581	551
Created value			
Taxes paid ⁴ (Millions of euros)	2,995	2,863	2,903
Generated economic value (Millions of euros)	21,470	21,064	18,663
Distributed economic value (Millions of euros)	20,875	20,214	17,783
Added value (Millions of euros)	1,965	2,082	2,124
Retained economic value ⁵ (Millions of euros)	596	850	880
Dividends paid to shareholders in the year (Millions of euros)	342	346	309
Dividend per share (Euros)	1.25	1.25	1.25
Profits for personnel ⁶ (Millions of euros)	493	477	441
Government grants ⁷ (Millions of euros)	22.7	2.1	0.2
Social	2007	2006	2005
Personnel			
Number of employees	11,398	11,096	10,783
New employees	1,204	1,156	848
Employees departures	1,173	914	670
Employees turnover	517	458	359
Average training hours per employee	45.86	46.15	47.33
Occupational health and safety			
Number of lost-time occupational accidents	112	127	167
Accident frequency rate	5.40	6.33	8.58
Accident severity rate	0.10	0.14	0.8
Common illness absenteeism	3.66	3.78	3.58
Absenteeism (%)	4.82	5.08	4.66
Occupational health and safety training hours for own personnel	102,366	80,113	52,027
Local communities			
Investment in Corporate Responsibility initiatives (Millions of euros)	3.2	3.2	2.3
Environmental	2007	2006	2005
Emissions by business area			
Refining (t of CO ₂ equivalent / t of crude oil treated)	0.147	0.150	0.155
Petrochemicals (t of CO ₂ equivalent / t of product obtained)	0.226	0.209	0.272
Exploration and Production: (t of CO ₂ equivalent / t of net oil)	0.044	0.065	0.061
Cogeneration (t of CO ₂ equivalent / total MWh exploited)	0.236	0.241	0.241
Combined Cycle Power Plant (t of CO ₂ equivalent/MWh net electricity produced)	0.398	0.406	0.385
CO ₂ emissions (Kilotonnes)	6,005	5,976	6,571
Environment training hours	6,601	3,959	--

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

2 Operating profit: gross operating profit - amortisation, depreciation and impairment of assets - operating provisions - working capital.

3 Excluding non-recurring items (mainly the difference between measuring inventories at average unit cost compared to replacement cost).

4 Includes special hydrocarbon tax, other taxes, corporate income tax, taxes on sales to retailers for certain hydrocarbons.

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

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

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

1

Company Profile

CEPSA | **05**

Milestones and recognition in 2007 | **06**



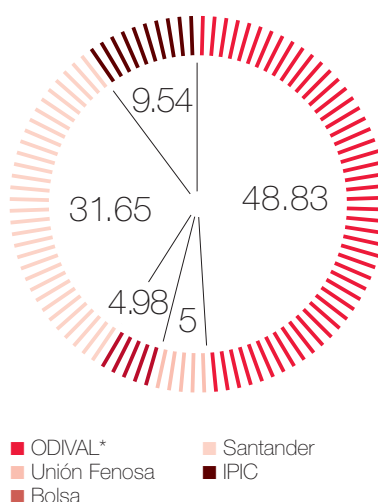


CEPSA

Compañía Española de Petróleos, S.A. leads an industrial group whose core business is refining and marketing 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 has notable presence in Spain and, through gradual internationalisation of its activities, also operates in Algeria, Brazil, Canada, Colombia, Egypt, Panama, Peru and Portugal, marketing its products worldwide.

Distribution of
CEPSA Capital
(At 31 December 2007)
(%)



* 100% Total*

Activities

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



2007 milestones and recognition

Exploration and Production

- Egyptian government concession for exploration of the *South Alamein* block, with an investment of US\$20 million in the first stage of the programme.
- Launch of oil exploration activities in Peru, acquiring 80% of a contract for oil and gas exploration and production in Block 127, in the northeastern part of the Country.
- Commencement of exploration in the Los Llanos region in Colombia, due to various contracts with CEPSA as operator.

Growth in oil and gas exploration activities.

Supply and Refining

- Launch of the SORBEX project at the "Gibraltar-San Roque" refinery, which will produce 50,000 tonnes of metaxylene for one of CEPSA's petrochemical plants to manufacture raw materials for the polyester sector.
- Launch of an investment plan to increase production capacity for middle distillates, which Spain is lacking.
- Refineries running at 96% of standard capacity.

Launch of the SORBEX project.

Distribution and Marketing

- Following the entry into force of SECA II, which defines sulphur oxide emission control areas in the North Sea, demand for low sulphur fuel oil (LSFO) has grown. CEPSA has adapted its strategies to new requirements, offering this product in various ports on the mainland and in the Canary Islands.
- Incorporation of biodiesel in diesel A and development of AdBlue, under the EcoBlue trademark, which allows industrial vehicles with SCR (Selective Catalytic Reduction) technology to reduce NOx and particle emissions.
- Launch of the used oils integrated management system (SIGAUS).
- Market penetration of the OPTIMA fuel range, which reduces consumption and emissions, representing 15% of CEPSA's sales.

Incorporation of biodiesel in gas oil A.



Petrochemicals

- New ERTISA plant manufacturing phenol, the raw material for manufacturing latest-generation plastics.

New phenol plant.

Natural Gas and Electricity

- Growth in the number of customers and market share.
- Progress in construction works on the MEDGAZ gas pipeline in its marine section, with stockpiling of 2/3 of the underwater piping required, and on land, with completion of the engineering and commencement of civil works in Beni-Saf and Almería.

Progress in construction of the MEDGAZ gas pipeline.

Recognition

- The Canadian Gold Award for Climate Change, the institution promoting voluntary registration of greenhouse gases by Canadian companies, gave PETRESA the Gold Level Award for the action plan submitted for reducing greenhouse gases.
- ERTISA* obtained certification from the Doñana 21 Foundation for its day-to-day responsible management, complying with international quality standards and respecting the environment and society in which it operates.
- DETEN* won the Prêmio Melhores Práticas de Estágio, in the category of medium-sized company, from the Fórum de Estágio da Bahia, which recognises DETEN Química as the company with the best training programme for student interns.
- PETRESA* was a finalist in the VII Andalusian Prize for Excellence for Socially Responsible Management (large company category), awarded by the Andalusian regional government's board of business, science and innovation with the support of the Centro Andaluz.
- The "La Rábida" refinery received a Gold Medal from the University of Huelva in recognition of its twenty years of support.
- PETRESA Canada* was issued the Safe Handling Award by the Canadian National Railway Company.
- The 2006 Corporate Responsibility Report was a finalist in the VI edition of the Award for Best Sustainability Report by Spanish companies, issued by the Spanish Institute of Registered Auditors (ICJCE) and Spanish Association of Accounting and Business Administration (AECA).

PETRESA Canada received the Canadian Gold Award for Climate Change.

DETEN received the award for best training programme for student interns from the *Fórum de Estágio da Bahia*.

2006 Corporate Responsibility Report, finalist in the ICJCE/AECA awards.

* Chemical subsidiary of CEPSA. In May 2008 the CEPSA petrochemical subsidiaries ERTISA, INTERQUISA and PETRESA merged to form a new company, CEPSA Química.

02

CEPSA and Corporate Responsibility⁸

Our commitment | **09**

2007 milestones / 2008 challenges | **09**

Consultation with stakeholders | **10**

Corporate governance model | **11**

Risk management | **11**

CEPSA's position on public policies | **12**



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.

2007 milestones

- Second session of the consultation process with stakeholders for the purpose of preparing the 2007 Corporate Responsibility Report.
- Improvement in systems for the collection and consolidation of information, especially in the areas most relevant to Corporate Responsibility.
- Progress toward Principle 1 of the United Nations Global Compact, with implementation of the procedure for investigating reports of sexual harassment or workplace bullying.
- Initiatives to raise awareness amongst employees to reinforce the company's Corporate Responsibility values.

2008 challenges

- Continue the consultation process with the company's stakeholders.
- Boost initiatives designed to respond to stakeholders' expectations.
- Continue to apply the 10 Principles of the Global Compact.
- Carry on with measures focused on raising employee awareness of Corporate Responsibility.
- Continue to adapt governance practices in accordance with the recommendations of the Unified Code of Good Corporate Governance.



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, and finally, adapting to social requirements and expectations. Its conduct is based on the Mission Statement, Corporate Outlook and Founding Principles.

8 The chapter "Corporate Responsibility in CEPSA in 2007 and 2008" in the 2006 Corporate Responsibility Report detailed a number of challenges for these years. These have been considered in the 2007 milestones and 2008 challenges tables throughout the Report.



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 advance 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 fulfill our Corporate Outlook.

CEPSA Founding Principles

Respect	For people For rights For diversity
Commitment	To its Corporate Outlook, Mission Statement and Founding Principles
Transparency	In management In disclosure of information
Quality	Of products Of services Of activities
Safety	In processes In installations In services In products

Consultation with stakeholders

Dialogue with stakeholders, based on transparency of management and information, is a critical part of CEPSA's Corporate Responsibility strategy, as it encourages a flow of communication⁹.

In order to identify the expectations of its stakeholders and the areas in which it should make progress, CEPSA again

launched a consultation process based on personal interviews with CEPSA management, two discussion groups involving employees and interviews with external stakeholders (NGOs, representatives from academia and the media) as well as stakeholders of the main industrial facilities.





Corporate Governance model¹

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 achieving the following objectives:

- Creating value.
- Customer satisfaction.
- Improvement in environmental performance, energy efficiency, ethical conduct and safety.

Among other functions, CEPSA's Board of Directors determines the strategic directions and economic objectives of the Company and ensures that it responds to the concerns and needs of the society in which it operates.

To achieve these goals, the Board of Directors has established committees with supervisory and advisory capacities. These currently comprise the Executive Committee, the Audit Committee and the Nominations and Compensation Committee.

The Company is studying the adaptation of its entire governance practices to the recommendations of the Unified Code of Good Corporate Governance, some of which are directly related to Corporate Responsibility.

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, where applicable, adaptation or modification measures.

Risks associated with CEPSA

Market risks

Reflect the trends and volatility of oil prices and the manufacturing and sales margins.

Financial risks

Derive from the financial markets' performance (changes in exchange rates and interest rates).

Environmental and industrial risks

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.

Risks due to possible changes to prevailing legislation

That could affect the structure and results of the Company.

Asset risks

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.

Risks concerning credit extended to customers

Due to customer default payments on commercial loans.

Geological risks

Stemming from exploration activities.

Other risks:

Legal proceedings, tax and competition, and tax inspections.

Unethical conduct

Due to dishonest practices.

Crisis response

Crisis Communication Management System

¹ Further information in the Corporate Governance Report at www.cepsa.com.



CEPSA's position on public policies



In 2007 CEPSA continued to participate and collaborate in forums, congresses and sector-related associations¹⁰, taking part in meetings and round tables to discuss and agree on common sector positions on related matters. The resulting positions serve as a support for discussions with state organisations and the different directorate generals of the European Commission.

In 2007 CEPSA focused its initiatives on the following issues:

- Energy policy in Europe.
- REACH (Registration, Evaluation, Authorisation and Restriction of Chemical substances).
- Energy product specifications monitoring.
- Management of used oils.
- Biofuels.
- Environment: IPCC.
- Greenhouse gas management.¹¹
- Energy saving.

Energy policy in Europe: CEPSA initiatives

In 2007 the European Commission introduced a new policy for a decisive shift towards a more sustainable, secure and competitive low-energy economy. In January 2007 the energy package was published with a number of provisions that include recommendations, measures and proposals related to energy in Europe.

Through EUROPIA¹² (European Petroleum Industry Association), AOP and FEIQUE, CEPSA has shown its support for achieving the European Commission's goals. It has also worked in conjunction with European refining companies to prepare common sector positions on each of the issues set out in the energy package.

REACH

This new regulation, which entered into force in June 2007, was proposed by the European Parliament and European Council and replaced over 40 directives.

REACH lays down a new legislative framework that aimed at greater protection of human health and the environment, requiring manufacturers and importers of chemical products to assess the risks deriving from their use and to adopt the measures necessary to manage any identified risk.

CEPSA has continued to work closely with European organisations spearheading the practical application of REACH to ensure it is implemented appropriately in the Company.

The "Environmental management" chapter of this report gives more details of activities.

¹⁰ Including ENERCLUB World Energy Council, AOP, FEIQUE, ACOGEN, ASELUBE, EUROPIA, CONCAWE, CEFIC and OME among others.

¹¹ Information on greenhouse gas management and energy saving is available in chapters 10 and 11 of this Report.

¹² www.europia.com.



Monitoring energy product specifications

This is an important issue for CEPSA, given that the specifications that define the quality of its products are currently being studied by the European Commission and different national governments.

This is the case with the proposed review of the fuel directive¹³ launched by the European Commission on 31 January 2007, related to specifications for petrol, diesel, gas-oil and bunker oil in navigation used in inland waterway barges. The document addresses various issues of concern to the sector, discussed at length and on which CEPSA has expressed its point of view.

Management of used oils

The basic principle of Royal Decree 679 of 2 June 2006, regulating the management of used industrial oil, stipulates that manufacturers of industrial lubricants on the domestic market should ensure that the oil generated after its use is collected and correctly managed.

The Company continues to carry out various initiatives toward full compliance with this new legislation, expected to be completed during the second half of 2008.

Biofuels

A regulatory framework in Spain that encourages the use of biofuels should meet two major objectives - less energy dependency and reductions in greenhouse gas emissions. The regulations should also be flexible, simple and neutral to allow free competition between the different market agents.

In 2007 CEPSA remained committed to the use of biofuels in the manufacture of automotive petrol and diesel. At present, bioethanol is incorporated into petrol through the manufacture of ETBE (oxygenated component blended with petrol) and in the future the company intends to commence biodiesel production at its refineries. This will decrease oil dependency as it will reduce imports of diesel, of which there is a shortage in Spain.

Integrated Pollution Prevention and Control: IPPC directive

This is the environmental legislation aimed at regulating industrial emissions within the European Union, known as council directive 96/61/EC (IPPC) and currently under review.

CEPSA formed part of the working group created by EUROPIA, through which the shared conclusions stating the sector's concerns have been sent to the European Commissioners for the Environment, Enterprise and Industry, Trade and Energy.

¹³ The directive is available at <http://eur-lex.europa.eu/>.

03 Energy Supply

Our commitment | **15**

2007 milestones / 2008 challenges | **15**

International situation | **15**

Challenges facing oil companies: CEPSA's initiatives | **16**

Case study: Seismic campaign in the Bituima block | **17**



Our commitment

Availability of energy is fundamental to modern economies, economic growth and prosperity. As an energy Company, CEPSA has an important social role – supplying energy to society. Stability of the energy supply is one of its main responsibilities.

2007 milestones

- Implementation of an investor plan to increase the capacity of refineries producing middle distillates, of which there is a shortage in Spain.
- Refineries running at 96% of standard capacity.
- Increase in hydrocarbon exploration. New permits in Colombia, Egypt and Peru.
- MEDGAZ: Construction of an underwater gas pipeline connecting Algeria with Europe via Spain commenced.
- Biodiesel included in CEPSA's diesel A.

2008 challenges

- Progress in construction of different conversion units to increase production of kerosene and diesel to meet Spanish market demand.
- Produce 5% of biodiesel therefore complying with the Spanish government requirements for 2010.
- Increase the current level of production and reserves.
- Continue with construction of the MEDGAZ underwater gas pipeline for start-up in 2009.

International situation

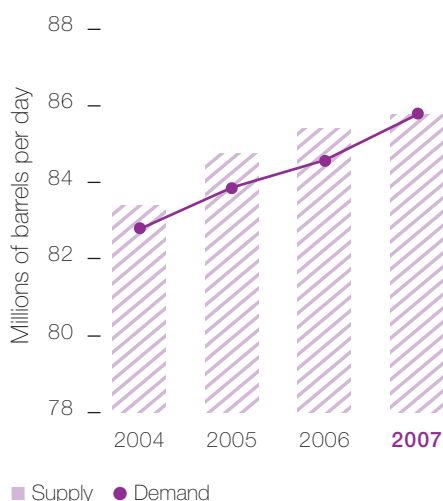
Worldwide energy needs are expected to increase 50% by 2030. According to these estimates, China and India will

represent 45% of this growth. The possible reduction in demand for crude oil in the OECD will be offset by the

growth in countries in the Middle East and China.

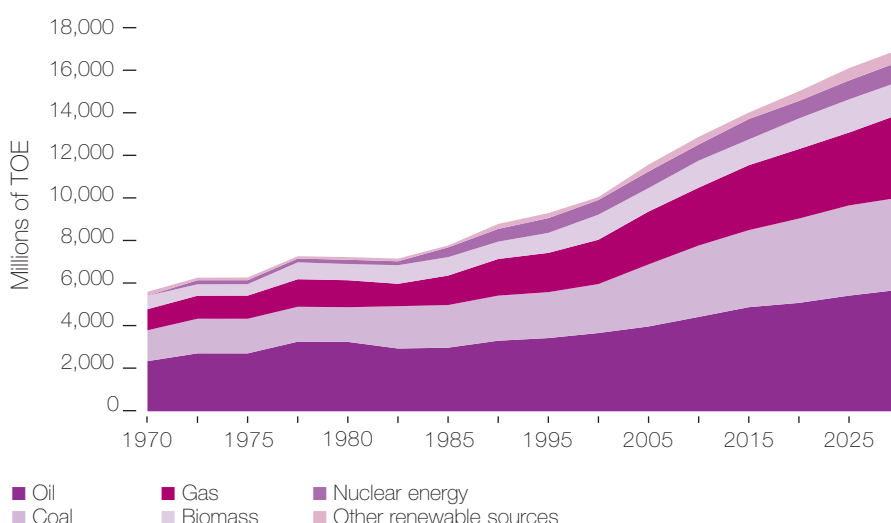
Worldwide oil supply and demand

Source: CNE/AIE



Worldwide energy demand

Source: World Energy Outlook





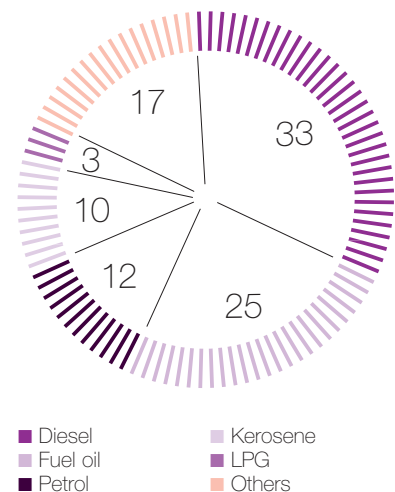
Challenges facing oil companies: CEPSA's initiatives

Oil companies are faced with the challenge of meeting the ever-increasing demand as well as other challenges more related to the social aspect of companies.

CEPSA has to achieve supply security and produce with greater energy efficiency, whilst maintaining the highest possible quality products and services with maximum respect for the environment and its commitment to society.

The Company has worked towards these goals for nearly 80 years, improving its processes and striving to optimise operations in all areas, from manufacturing to delivery of the end product to customers.

2007 CEPSA production
Details by product (%)



Secure supply requirements

Availability of crude oil required to carry out activity.

Appropriate resources for production processes converting raw materials into useful consumer products.

Efficient distribution network that delivers products to customers when and where necessary.

Other initiatives that contribute to supply.

CEPSA's initiatives¹⁴

Oil and gas exploration and production.
Acquisition of crude oil and products.

Distillation of crude oil to obtain derivative products.
Maintenance of refining facilities with maximum efficiency.

Long-term extension and optimisation of its sales network.

Development of new supply networks.
Contribution to the maintenance of national strategic reserves.
Search for new fuels.

¹⁴ Further information on CEPSA's 2007 activities can be found in the Annual Report at www.cepsa.com.

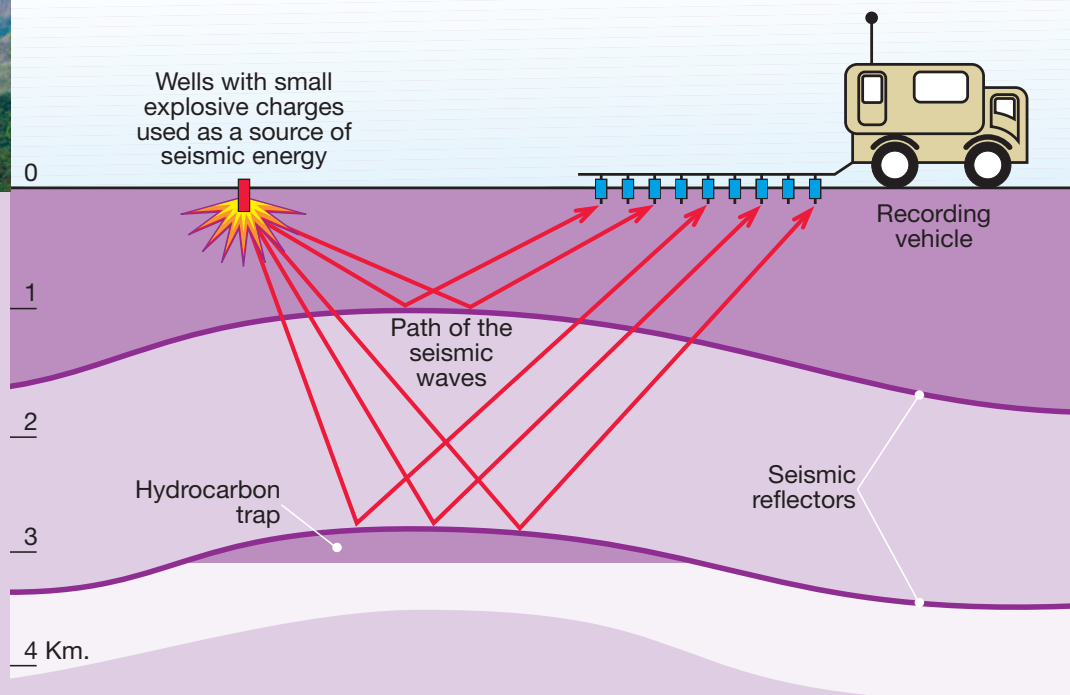


Case study

Seismic study in the Bituima block

CEPSA holds an oil and gas exploration permit for an area of 370km², located 60km west of Bogotá (Colombia). The Company needed to carry out a new seismic campaign to confirm a possible hydrocarbon trap. Seismic campaigns are basic geophysical techniques in exploration and production. They aim to procure a series of virtual underground images, used to identify hydrocarbon traps. A trap is a geometric disposition of underground strata where hydrocarbons can accumulate. These traps are usually anticlines, folded strata in the shape of an inverted U.

A seismic campaign basically involves emitting acoustic waves under the ground, requiring temporary use of the land. The waves may be produced through vibrating mobile units or small explosive charges. The waves produced travel through the subsoil crossing the strata. When wavefronts encounter a significant change in the mechanical properties of the rocks, part of the energy is reflected towards the surface where sensors, known as geophones, record the time taken between the emission and arrival of the reflected waves. Subsequently, all the information included in the geophones needs to be



treated and processed by powerful computers to obtain a virtual image of the subsoil.

This process of emitting and recording waves is normally done through straight lines. In this particular case, a grid of 8 lines was outlined, each 15 to 30 km long. Every 60 metres, a small borehole 10 metres deep was drilled in each line. These holes were filled with explosives detonated one by one in order to create acoustic waves. The time taken for the reflected waves to reach the surface was then recorded.

The project took two months and 150 kilometres of 2D seismic waves were recorded in total.

This work required over 500 professionals in the area, including topographers, drillers, geophone and cable installers, explosive engineers and other operators. The large number of personnel and explosive handling required considerable coordination,

detailed planning and constant communication between the owners and communities of the land concerned. Training of various on-site supervision teams to oversee relations with local communities, environmental issues, health and safety teams and technical quality control teams were key to the project's success.

4 Generating Value

Our commitment | **19**

2007 milestones / 2008 challenges | **19**

Creating value | **19**



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.

2007 milestones

- Added value of Euros 1,965 million in 2007.
- Generated economic value for the year amounted to Euros 21,500 million, up 1.9% on 2006.

2008 challenges

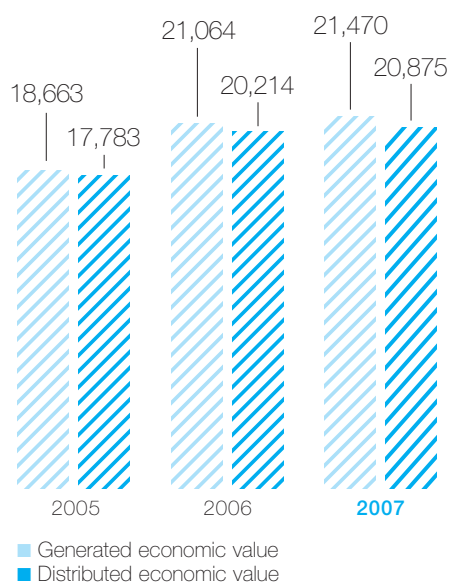
- Maximise added value in a complex environment.
- Grow in size and profitability.

Creating value

Generating value is a key concern for all companies and is achieved by obtaining sustained profits. The Company's overall economic contribution has been measured using added value as an indicator, applying methodology established by the UK Department of Trade and Industry¹⁵. CEPSA created value of Euros 1,965 million in 2007¹⁶, 5.6% less than in 2006, largely as a result of the reduction in international refining margins, converted to Euros. This figure represents added value per employee of Euros 172,000.

Generated economic value¹⁷ in 2007 amounted to Euros 21,470 million, representing a 1.9% increase on 2006. The economic value Distributed¹⁸ by CEPSA to its shareholders, suppliers, employees and society in general, etc. totalled Euros 20,875 million, 3% more than in 2006. Retained economic value, measured as the difference between generated economic value and distributed economic value, amounted to Euros 596 million.

Creating value (Millions of euros)

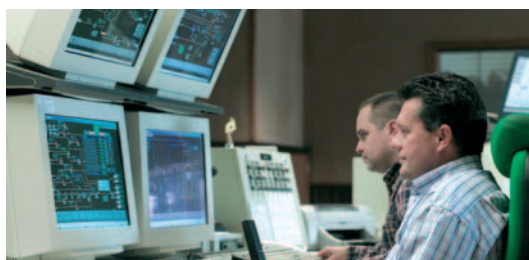


¹⁵ Added value is determined as the difference between revenue and costs of related purchases and services. More information on this methodology is available on the DTI (Department of Trade and Industry) website: http://www.innovation.gov.uk/value_added.

¹⁶ 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 Unit 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 for 2005 and 2006 have been recalculated for comparative purposes.

¹⁷ 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.

¹⁸ Distributed economic value is obtained by adding dividends, operating costs, personnel costs, taxes, resources allocated to social welfare and financial expenses.



CEPSA Shares 2007 2006 2005

Number of bearer shares: 267,574,941
at Euro 1 per value each

Shareprice (Euros per share)

Average	68.07	54.47	37.43
Year-end (31.12.07)	71.00	59.40	38.65

Dividends paid to shareholders (Millions of euros)

Parent company shareholders	334.5	334.5	302.3
Minority subsidiary shareholder	7.4	11.5	6.5

Total dividends (Millions of euros)	341.9	346.0	308.8
Dividend per share (euros)	1.25	1.25	1.25
Pay out (%) ¹⁹	52	45	39

Employee salaries and other compensation 2007 2006 2005

(Millions of euros)

Wages and salaries and pension contributions	395.6	384.2	350.2
Other welfare benefits	97.7	92.7	91.2
Total	493.3	476.9	441.4

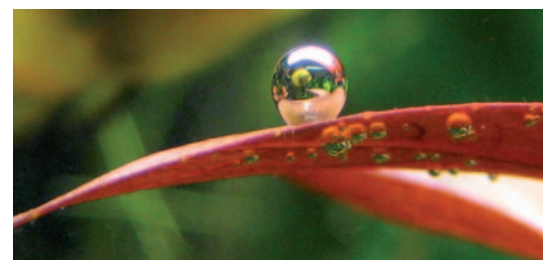
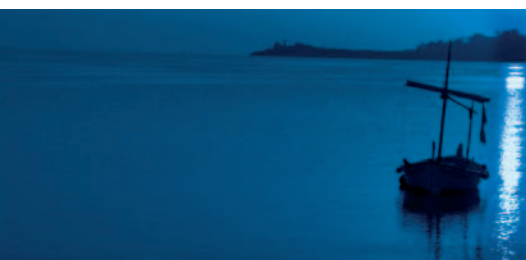
Total taxes paid by CEPSA 2007 2006 2005

(Millions of euros)

Special tax on hydrocarbons	2,345.6	2,238.3	2,183.8
Local taxes	37.8	36.6	43.4
Income tax	405.3	384.8	496.2
Tax on retail sales of certain hydrocarbons ²⁰	206.1	203.1	179.7
Total	2,994.8	2,862.8	2,903.1

¹⁹ Not including the effect on results of the difference in valuing stocks at Average Unit Cost compared to LIFO.

²⁰ 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.



Economic relations with suppliers

(Millions of euros)

	2007	2006	2005
Purchases	15,282	14,790	12,452
Transport and fleets	460	476	448
Projects, supplies and external services	1,273	1,163	1,147
Other general management costs	9	56	39
Environmental costs	11	14	17
Financial costs of remunerated debt ²¹	10	29	27
Total	17,045	16,528	14,130

Net sales

	2007		2006		2005	
	Products	Services rendered	Products	Services rendered	Products	Services rendered
(Millions of euros)						
Domestic market	16,274.3	151.6	15,801.0	159.3	14,147.5	132.8
Rest of EU	2,641.3	7.5	2,318.8	3.8	2,221.1	8.0
Rest of the world	1,929.7	225.9	2,256.8	167.5	1,711.7	148.7
Total	20,845.3	385.00	20,376.6	330.6	18,080.3	289.5

Distributed economic value

(Millions of euros)

	2007	2006	2005
Economic relations with suppliers ²²	17,045	16,528	14,130
Employee salaries and other compensation	493.2	476.9	441.4
Payments to shareholders	341.9	346.0	308.8
Total taxes paid by CEPSA	2,994.7	2,862.7	2,903.1
Total	20,874.8	20,213.6	17,783.3

²¹ Net cost accrued in the period relating exclusively to interest rates contracted with banking and non-banking financial suppliers.

²² These figures relate to investments in business responsibility actions in communities where CEPSA operates. For further information see the section on "Projects of public interest" in the chapter entitled "Part of the Community".

35

Employee

Our commitment | **23**

2007 milestones / 2008 challenges | **23**

Human capital and diversity | **24**

Equal opportunities and equality programmes | **24**

Attracting and retaining talent | **25**

CEPSA professional performance evaluation systems | **26**

Collective bargaining | **26**

Training | **27**

Occupational health and safety | **28**

Case study:

Open classroom: Lifelong Learning Community | **29**



Our commitment

CEPSA aspires 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.

2007 milestones

- Implementation of procedures to investigate reports of sexual harassment or workplace bullying.
- A collaboration agreement with the Ministry of Labour to promote social awareness of domestic violence and the integration of victims into the workplace.
- Collaboration agreement with the ADECCO Foundation to promote joint initiatives aimed at integrating disabled persons in society and the workplace.
- Start-up of the skills management implementation project.
- OHSAS 18001 certification obtained in DETEN (Brazil).
- Decrease in the accident rate for own and contracted personnel, down 0.72 points on 2006.
- Presentation of the Risk Acceptance Criteria Proposal based on worldwide practice in the oil, chemicals and gas sectors and on prevailing legislation, to unify (technological) risk levels in activities.
- Improved safety inspection rating awarded by insurance engineers to the "Gibraltar-San Roque" refinery, PETRESA (San Roque), INTERQUISA (San Roque) and the "Tenerife" refinery.

2008 challenges

- Promote equal opportunities.
- Prepare an equality programme.
- Promote temporary cover plans.
- Implement the skills management pilot project.
- Implement and expand the INNOVAC project.
- Keep the lost-time accident rate for own and contracted personnel below 5.27.
- Emphasise investigation of industrial accidents, with greater disclosure of lessons learned.
- Apply the safety levels and layers of protection analysis to risk studies for new projects and existing installations.

The Company's human resources policies aim to reinforce human and intellectual capital and enable the Company to offer an attractive working environment, a stimulating professional career and a healthy and safe workplace.

Attracting and retaining professionals is one of the most important aspects in any sector of activity. 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.

Fundamental to CEP SA's human resources policies is the commitment towards respect for human rights and

basic principles such as dignity, rejection of child labour and non-discrimination of gender, race, credo, religion and origin.



Human capital and diversity

In 2007, the CEPSA headcount increased by 302 employees, mainly due to new service stations in Spain and Portugal, the rise in the number of employees in semi-retirement, growth in activity in the Exploration and Production areas, with the opening of new businesses in Peru, growth in the Marine and Aviation areas, as a result of new activities commencing in the Iberian Peninsula and the Canary Islands, and the expansion of the "La Rábida" refinery.

The increase in personnel has been greatest among female employee, as their professional qualifications are more in line with CEPSA's activities.

Current workforce ²³	2007	2006	2005
No. of employees	11,398	11,096	10,783
% international employees	9	9	9
Average age	41	41	41
Average length of service	12	12	11

Breakdown by professional category and gender

	2007		2006		2005	
	Female	Male	Female	Male	Female	Male
Management and department heads	68	601	65	621	57	625
Expert technicians	306	1,252	278	1,244	254	1,180
Technicians	368	1,252	394	1,181	340	1,288
Specialists	2,543	4,283	2,309	4,288	2,172	4,155
Assistants	403	322	409	307	363	349
Total	3,688	7,710	3,455	7,641	3,186	7,597
% of total personnel	32	68	31	69	30	70

Equal opportunities and equality programmes

As a result of negotiations within CEPSA during 2007 regarding the new collective bargaining agreement for 2007-2010, management and trade union representatives have undertaken to prepare an equality programme for

the Company comprising a structured set of measures, adopted after assessment of the situation, which aim to increase the effectiveness of the right to equal consideration and opportunities.

²³ 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.



Attracting and retaining talent

Attracting talent is a fundamental aspect of business development, particularly where there is considerable competition, due to the level of specialisation required by the sector.

Devising a fair remuneration system, training, professional development and the implementation of strategies that enable the Company to be perceived as added value, are key factors when it comes to retaining talent. CEPSA has therefore established communication channels for employees to contribute to Company projects and objectives with ideas based on their experience and knowledge, and help consolidate the organisational culture.

For several years, the Company has been reinforcing its student internship activities, while devising training programmes for university graduates without work experience and postgraduate students.

These activities are particularly important as they allow talent to be identified while also reinforcing institutional relations with training centres through projects of notable social interest.

Number of incorporations, departures and turnover

2007 2006 2005

Number of employees

Incorporations ²⁴	1,204	1,156	848
Departures ²⁴	1,173	914	670
Turnover ²⁵	517	458	359

Turnover 2007

	By gender		By age group		
	Female	Male	< 30	30-50	> 50
In absolute terms	172	345	130	210	177
Turnover rate ²⁶ (%)	10	6	12	5	8

Procedures for investigating reports of sexual harassment or workplace bullying

To ensure a positive working environment free of behaviour or situations constituting sexual harassment or workplace bullying, CEPSA considers it a priority within the framework of corporate responsibility to establish specific and appropriate channels to report any such cases which are

investigated to clarify the details of the incidents reported and define responsibilities for such action.

CEPSA has therefore implemented a procedure outlining management actions to guarantee that any reports of alleged sexual harassment or workplace bullying

within the CEPSA Group are handled appropriately, objectively and confidentially, and the necessary measures are taken in each case.

²⁴ Incorporations and departures do not include CEDIPSA (100% CEPSA); this company is engaged in the operation and installation of service stations and its activity is seasonal.

²⁵ Includes employees who leave the organisation due to disability, resignation, death, retirement or dismissal.

²⁶ The following formula has been used to calculate the turnover rate: Turnover rate = No. of employees leaving the organisation / total No. of employees x 100.

The following reasons have been taken into consideration when calculating the number of employees leaving the organisation: disability, resignation, death, retirement and dismissal.

The total number of employees refers to the total number of workers included in the different age and gender groups at the end of each period.



CEPSA is implementing a skills management project which aims to manage the personal and professional skills of employees, in line with Company strategy. The new management model will generate relevant information on positions within the Company and these job descriptions will enhance decision-making, in all human resources processes (recruitment and training, etc.), thereby leading to more flexible and streamlined systems, enabling ongoing improvements in human resources planning.

To offer competitive salaries to its employees, CEPSA bases its remuneration policy on the labour market in which it carries out its activities, the added value contributed to the Company and personal

merit through the achievement of individual and collective targets. The Company also provides its personnel with various additional benefits.

Range of welfare benefits

	Required by law		Responsibility for costs	
	Yes	No	Total company	Total employer
Pension plan		X	X	X
Accident insurance	X	X	X	
Life insurance	X	X	X	
Health insurance		X	X	X
Education funding		X	X	
Grants		X	X	
Meal vouchers		X	X	

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.

Professional performance evaluation

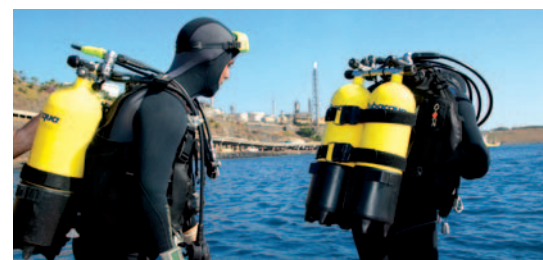
	2007	2006	2005
Total number of employees (a)	11,398	11,096	10,783
Number of employees who have received a formal performance evaluation and review during the period (b)	6,853	6,525	6,060
Percentage of employees who have received a formal performance evaluation and review during the period (b/a x100)	60.12	58.80	56.20

Collective bargaining

Dialogue and public trust are the foundations of CEPSA's labour relations model. The labour relations policy therefore adheres to the Fundamental Principles of the International Labour Organisation, as illustrated by CEPSA trade union representation data, and the fact that no work hours were lost to labour disputes in 2007.

40% of the workforce comes 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.

Negotiation of the CEPSA collective labour agreement commenced in April 2007. The agreement was signed in April 2008 for a period of four years.



Personnel under collective labour agreements

Breakdown by business units	2007		2006		2005	
	Total	%	Total	%	Total	%
Refining	8,672	77	8,322	76	8,048	76
Petrochemicals	1,494	13	1,519	14	1,504	14
Exploration and Production	170	2	155	1	152	1
Corporation, Technology, Research Centre and General Services	923	8	934	9	928	9
Total	11,259	100	10,930	100	10,632	100

Breakdown of personnel by union representation

	2007		2006		2005	
	Employees	%	Employees	%	Employees	%
Union representation	10,239	90	9,911	89	9,580	89
No union representation	1,159	10	1,185	11	1,203	11
Total	11,398	100	11,096	100	10,783	100

Training

Professional development is a fundamental factor when it comes to retaining talent, and this would not be possible without an appropriate, ongoing process enabling employees to adapt to change through training.

Similarly, training increases professional capacity, improves skills and is important in raising awareness of relevant issues such as safety, quality and the environment. CEPSA therefore allocates an increasing amount of resources to this activity.

In 2007 almost half a million hours of training were provided, 85% of which were for internal courses and seminars.

Training ²⁷	2007			2006			2005		
	Internal	External	Total	Internal	External	Total	Internal	External	Total
Training hours	402,082	70,955	473,038	370,731	96,563	467,294	323,501	138,643	462,144
Environmental training hours			6,601			3,959			--
Safety training hours			102,366			80,113			52,027
Average per employee			45.86			46.15			47.13

²⁷ Training hours per employee are calculated on the basis of employees registered in the CEPSA "HR ACCESS" database (90.35% of total personnel, comprising the Spanish subsidiaries).



Occupational health and safety²⁸

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.

Health and safety committees participate in the preparation, implementation and evaluation of the Company's risk-prevention plans and programmes.

CEPSA has a coordination system with service companies to implement regulations relating to safety, hygiene and health and to pool experiences in this field. CEPSA also carries out initiatives aimed at promoting a safety culture.

Employees represented in health and safety committees **2007** 2006 2005

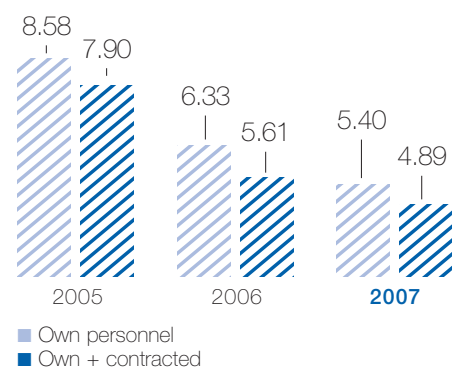
Total number of employees (a)	11,398	11,096	10,783
Number of employees represented in joint health and safety committees (b)	8,981	8,620	8,492
Total percentage of employees represented on joint health and safety committees (b/a x 100)	78.79%	77.68%	78.75%

Accident rates/abseentism²⁹ for own personnel³⁰ **2007** 2006 2005

Lost-time occupational accidents ³¹	112	127	167
Accident frequency rate ³²	5.40	6.33	8.58
Accident severity rate ³³	0.10	0.14	0.8
Common illness absenteeism ³⁴ (%)	3.66	3.78	3.58
Absenteeism (%)	4.82	5.08	4.66

A campaign has been implemented at the "La Rábida" refinery to raise safety awareness, while all three refineries have been included in the TOTAL cross-audit programme, which entails an appraisal of the installations and safety measures in place, as well as performing emergency drills and offering recommendations.

Accident frequency rate



Own personnel³⁰ accident severity and frequency

	Seriousness			Frequency rate		
	2007	2006	2005	2007	2006	2005
Refining	0.12	0.19	0.40	4.51	2.50	2.85
Petrochemicals	0.12	0.07	0.06	4.99	4.16	1.97
COASHIQ ³⁵	0.21	0.27	0.26	8.47	8.31	9.17

²⁸ Reports on the Safety area do not include data from international sales offices or the companies CEPSA Panama, ECANSA or AMARCO, as there is no system for recording data for these.

²⁹ Absenteeism data for companies with head offices in Spain.

³⁰ Includes those companies in which CEPSA holds an interest of over 50%, except for ASES and NGS. Exploration and Production data is also excluded.

³¹ Accidents resulting in temporary unfitness for work, permanent disability or death.

³² Number of lost-time accidents per million hours worked.

³³ Number of calendar days lost due to accidents per thousand hours worked.

³⁴ Number of working hours lost per theoretical annual working day.

³⁵ Autonomous Commission for Safety and Hygiene in the Workplace in the Chemical and Related Industries.



Occupational health and safety training

Given the nature of the activities at its production centres, CEP SA prioritises training as a tool for improving employee health and safety and carries out the following: evaluation of

workplace risks; refresher courses; information on chemical products; appropriate signage of work areas; analysis and planning of critical tasks; and emergency drills.

Case study

Open classroom: Lifelong Learning Community



Changes in market conditions and the progress in the world of research and technology make continuous adaptation of personnel essential to all companies seeking to assure their future competitiveness and survival.

The fragmentation and specialisation of organisations makes it difficult for employees of one Company to know the work of another, limiting internal synergies which could enhance productivity and efficiency.

To break down these barriers, CEP SA's human resources training unit collaborated with the Company's information systems division (ISD) to design a new learning model based on knowledge communities.

These spaces, conceived as areas of collaboration, learning and knowledge transfer between individuals with a common professional activity, were the basis for the "Open Classroom: Lifelong Learning Community" project.

From a practical perspective, the Open Classroom provided ISD members with training and information in specific knowledge areas. There are currently thirteen such areas, encompassing issues such as databases, general information systems and project and document management.

To create and promote a new culture for the structured sharing of knowledge, the Company established internal social networks, or communities of practices, providing both classroom-based courses and on-line content. Training was given by ISD members who are specialists in these areas and by information systems professionals from other companies.

In addition to providing a forum to discuss specialist subject matters, these spaces also offer an opportunity to present and consider potential improvements to enhance professional performance.

The on-line content is posted in the virtual open classroom, where participants have access to the seminars, articles, presentations and manuals created for each of the knowledge areas, amongst other resources.

Each community of practices also has an area in which members can share experiences, identify best practices and obtain solutions.

The "Open Classroom: Lifelong Learning Community" project represented a change in the process of knowledge transfer and learning in the ISD and was the first systematic experience of internal knowledge management at CEP SA.

06

Customers

Our commitment | **31**

2007 milestones / 2008 challenges | **31**

Commitment to quality and customer satisfaction | **31**

Product safety | **32**

Information security | **32**

Commercial communication and data protection | **32**

Case study:

Spain's aviation fuel supply market | **33**



Our commitment

CEPSA's commitment to its customers focuses on the quality of the products and services it offers, as well as its capacity to guarantee fast and competitive supply that meets requirements and expectations.

2007 milestones

- Identification of opportunities to improve the quality of management of the refineries, using the EFQM model as a reference.
- Improved customer satisfaction percentage, achieving 99.88%.
- Increase in the percentage of loyal and satisfied marine fuel customers, rising from 46% to 63%.
- The additive AdBlue went on sale.
- Development of the "Customer Orientation" project, creating over 3,000 improvement initiatives.

2008 challenges

- Implement opportunities identified to improve the quality of management of the refineries.
- Implement a customer survey system as a regular barometer of a representative sample of customers.
- Progress in new applications of liquefied petroleum gases demanded by customers, such as use in combustion engines.
- Offer a greater range of high performing, low consumption products.
- Implement the "Fast track project", providing the opportunity to pay at the service station petrol pump.

Oil derivatives are essential products and therefore have a significant impact on society. CEPSA's commercial activity provides a service to virtually all of

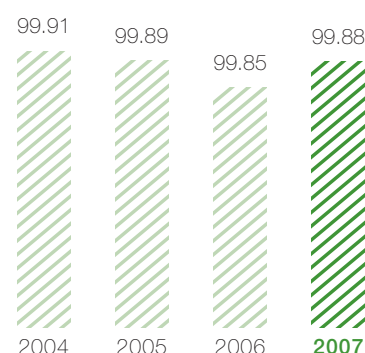
society. The Company's main aim is for our products and services to satisfy customer requirements.

Commitment to quality and customer satisfaction

Quality of service forms part of CEPSA's strategic objectives. The Company makes a wide range of products and services available to the market each day to adapt to the demands and expectations of its customers. CEPSA endeavours to promote the rational and safe use of its products and services, and in the case of fuels to ensure energy efficiency and a minimum impact on the environment.

This approach, which is based on the procedures recommended by the ISO 9001:2000³⁶ standard, allows CEPSA to identify which of its business processes contribute the greatest value to customers and generate highest satisfaction. CEPSA evaluates the efficiency of the process based on the measure of customer satisfaction and undertakes corrective or preventative measures that are incorporated in the process of continuous improvement.

CEPSA customer satisfaction* (%)



* Satisfaction rating measured for CEPSA activities with quality certification. Established as the ratio of complaints received to orders served.

³⁶ Complete list of Quality Management Systems certifications (ISO 9001) and laboratory accreditations (ISO 17025) may be consulted and printed at www.cepasa.com.



Product safety

CEPSA is aware that guaranteeing the safety of its products and services is of utmost importance. The Company has established internal regulations to this end and earmarks considerable

resources to ensuring that its products are innovative in safety terms, while respecting the environment. The Company has procedures to guarantee the safety of its products.

Information security

CEPSA understands the concerns of its customers regarding the protection of their identity and confidentiality issues. Foreseeing the increasingly stringent government regulations in this respect, CEPSA has established an information security policy based on best practices, which is embodied in the Basic

Information Security Regulations applicable to all processes.

The Company gives priority to this task to guarantee the stability of its operations and protection of its customers' data from a two-fold perspective: firstly, the cost to a Company's reputation of

security failures, with the loss of investor confidence or customer loyalty; and secondly, the competitive advantage of offering secure access and services through an open communication network.

Comercial communication and data protection

CEPSA is a member of various organisations and associations which promote responsible, ethical commitment to commercial and advertising communications. The Company belongs to the Spanish Advertising Self-Regulation Organisation, forms part of "Confianza On-

line" and is a member of the Spanish and Portuguese Advertisers' Associations.

In all its commercial and advertising communications the Company pays special attention to the messages conveyed to its current and potential

customers, and provides the means to exercise rights of access, modification and cancellation of the data recorded.



Case study

Spain's aviation fuel supply market

The surge in the price of oil products and intense competition in the Spanish aviation market make excellent quality of services necessary to maintain leadership. As a result, CEPSA has orientated its action plan towards improving its processes. To enhance the quality of services offered, the Company has mainly focused its activity on issues that directly affect its customers:

- Improve coordination with fuelling operators through greater flexibility in dealing with requests and reducing response time to incidents and claims.
- Optimise information issued to customers each month, for example, by implementing electronic invoicing.
- Automate the processes which in the past were carried out manually, such as the selection of operators and downloading of delivery note files.

Indicators have been established to monitor improvements, in addition to regular consultations with customers regarding their impact, through meetings and customer satisfaction surveys.

The following achievements are worthy of note:

- 80% drop in complaints filed, with the resulting reduction in response time.
- Improved structure of information issued relating to monthly prices, making it easier to understand.
- In those cases in which electronic invoicing has been introduced, the Company has managed to considerably reduce the work load of customers in dealing with invoices. In some cases this reduction has been up to 90%.
- Reduction in the number of errors in identification data through electronic integration with fuelling operators.

Through this approach the Company is reinforcing its culture of continuous improvement in the Aviation Unit and, above all, the quality of customer service.

07

Suppliers

Our commitment | **35**

2007 milestones / 2008 challenges | **35**

Supplier and contractor evaluation
and approval system | **36**

Generating value for suppliers
in areas where CEPSA is present | **36**

Case study: RePro supplier Registration System | **37**





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 operates. CEPSA's objective is for the Company 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.

2007 milestones

- Approval of 90% of active suppliers in 2007.
- Use of local suppliers: 49% of the total (excluding bank services, crude oil and oil products).

2008 challenges

- Review Corporate Responsibility parameters in the supplier evaluation and approval system, to increase their specific weight.
- Update the general purchasing and contracting terms, to include a requirement to comply with the principles of the International Labour Organisation (ILO) and the United Nations Global Compact.

Suppliers and contractors are a key link in CEPSA's value chain, as they supply the necessary goods and services to enable the Company to carry out its activity. Ethical and responsible relations have to be established with these stakeholders, unified by management

criteria based on respect for the environment, commitment to society and economic viability.

CEPSA's corporate purchasing and contracting policy aims for transparency, maximum objectivity and

efficiency of processes, while seeking to benefit all parties involved at each stage of the value chain.



Supplier and contractor evaluation and approval system

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 (CR) 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 can supply goods and services to CEPSA.
- Ensure that supplier and contractor evaluation and approval requirements are standard in all areas of the Company.

Generating value for suppliers in areas where CEPSA is present

The main suppliers are those of crude oil and oil products. In its commercial supplies³⁷ CEPSA works with prestigious and solvent commercial suppliers which are well established in this highly specialist market. CEPSA always follows the regulations issued by international organisations with regard to embargoes,

sanctions or any other type of applicable trade restrictions.

With regard to suppliers in the areas in which the Company operates, crude oil and oil products, the 174% increase in the purchase volume in Madrid compared to 2006 excluding bank services, is mainly

due to the acquisition of technology for the new installations planned at the "La Rábida" refinery.

Purchases by area

	2007			2006		
	Total Thousands of euros	Local Thousands of euros	%	Total Thousands of euros	Local Thousands of euros	%
Cadiz	201,833	88,863	44.03	191,651	78,092	40.75
Canary Islands	50,045	13,875	27.73	46,956	13,878	29.56
Huelva	105,147	48,650	46.27	103,899	51,653	49.71
Madrid	689,446	395,132	57.31	251,392	138,488	55.09
Algeria ³⁸	164,351	48,021	29.21	51,989	10,365	19.94
Total	1,210,822	594,541	49.10	645,887	292,476	45.28

³⁷ 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.

³⁸ In 2005, total purchases amounted to Euros 48,371 thousand, while local purchases totalled Euros 8,598 thousand, i.e. 17.7% of the total.



Case study

RePro supplier Registration System

Some of the main Spanish and Portuguese companies operating in the energy sector have agreed to participate in a common system: the RePro supplier registration database which is a permanently updated tool allowing easy registration of suppliers and contractors in an objective and non-discriminatory way. This database belongs to the Achilles Group, a top information management supplier.

This joint registration system allows CEPSA access to a database containing complete, up-to-date information based on the annual presentation made by each supplier through a simple computerised questionnaire. The information contributed by the supplier is structured and updated, so that the same information is provided for all suppliers.

With a view to extending the Corporate Responsibility commitment to suppliers and service companies, a work group was set up in 2007, in which CEPSA participated, to include Corporate Responsibility (CSR) criteria in the RePro supplier registry. The following human rights and ethics-related content has been included as a result:

- Details of a contact person within the supplier company for CR issues.
- Details of whether the supplier has an assurance system for CR certified by third parties.
- In the absence of certification, whether this is expected to be obtained within the next 12 months.
- Whether the supplier has signed any recognised social, labour or ethical standards or guidelines, such as the Global Compact.
- Whether the supplier has produced a Corporate Responsibility Report.
- Whether the supplier can prove that their practices are in line with internationally recognised labour principles (prevention of enforced labour, discrimination, working hours, etc.).
- Whether implementation can be demonstrated of appropriate labour practices on the part of the supplier, to prevent all manner of bribery and corruption.
- Whether suppliers and contractors are required to apply CR labour practices in accordance with international standards, and to have internal measures in place to prevent bribery and corruption.

08

Part of the Community

Our commitment | 39

2007 milestones / 2008 challenges | 39

Managing the impact on communities | 40

Case study:

"Gibraltar-San Roque" neighbourhood committee | 41

Contributing to projects of public interest | 42

Case study:

Children's activities during Christmas holidays | 43





Our commitment

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

2007 milestones

- Launch of a neighbourhood committee at the “Gibraltar-San Roque” refinery.
- Reduction in the number of complaints regarding odours at INTERQUISA Canada.
- First edition of the CEPSA Social Value awards in Madrid.
- Community projects in the exploration and production area benefiting over 11,000 people.

2008 challenges

- Survey of public opinion in the Campo de Gibraltar area to define an action plan.
- Appointment by INTERQUISA Canada of a neighbourhood representative for a new residential area under construction.
- Organisation for the first CEPSA Social Value awards in Portugal and Tenerife.
- More stringent requirements to respect human rights in the exploration and production area for suppliers and service companies through contract clauses (Global Compact, compliance with ILO principles).
- Choose community action programmes, taking into consideration the Millenium Development Goals. ¹
- Define a new Corporate Responsibility activity programme at the “La Rábida” refinery.

¹ The Millenium Development Goals are available at www.un.org.



Managing the impact on communities

At CEPESA we know that our operations and activities in support of communities need to 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 at the different CEPESA facilities to identify opinions and requirements, inform stakeholders of CEPESA activities and progress made, changes, etc. and to create a platform for learning and knowledge that helps build relationships of trust. Some examples are as follows:

- PETRESA Canada forms part of a Community Consultative Committee. Four meetings were held in 2007 and issues discussed included the request from a neighbourhood community for business park industries to reduce greenhouse gas emissions. In the case of PETRESA Canada, the committee was satisfied with its projects for reducing energy consumption and emissions of these gases.
- INTERQUISA Canada has had a community committee since it was incorporated. Five meetings were held in 2007. Certain incidents, due to their impact, are included in the environment management plan, such as that caused by odours from organic compounds. The result has been a significant reduction in the number of complaints about odours in 2006 and 2007.
- Global management of the "La Rábida" refinery follows the European EFQM model, which takes into account external relations. Every two years a survey is carried out of the local population and media to identify public views on the refinery.
- CEPESA's plant in Brazil, DETEN Química, forms part of the Comité de Fomento Industrial de Camaçari (COFC) which, together with neighbourhood communities, set up the Community Consultative Committee to address issues of common interest to industries and local communities.
- Open days are held every year at the "Tenerife" refinery, with over 400 people (neighbours and associations) and 1,200 schoolchildren visiting the facility in 2007.
- Before an exploration and production project begins, interviews and meetings are held with local communities in the area of operations to provide information on the project and the companies involved. Technical, environmental and social aspects are outlined, together with the levels of communication and information that will be maintained with communities and authorities at every stage of the project, welcoming suggestions.



Case study

“Gibraltar-San Roque” neighbourhood committee

Aware of the need to establish relations based on dialogue and transparent information, the “Gibraltar-San Roque” refinery launched a number of initiatives aimed at the local population, represented by a neighbourhood committee. These began with a meeting held in July 2007.

The importance of this measure, which forms part of the agreements reached with the environment department of the Andalusian regional government, is that everybody living in the area of the refinery is able to obtain first-hand information on its activity.

The neighbourhood committee therefore becomes a point of contact between the refinery and the public, who are made aware not only of the industry but of its importance to the development of the Campo de Gibraltar area.

The neighbourhood committee is formed by four local associations, a technician from the city environmental department, a technician from the regional department for the environment and its senior representative, in addition to representatives from the “Gibraltar-San Roque” refinery.

Meetings are held every two months to discuss the issues of greatest interest to local people and to report the refinery's environmental indicators and initiatives.

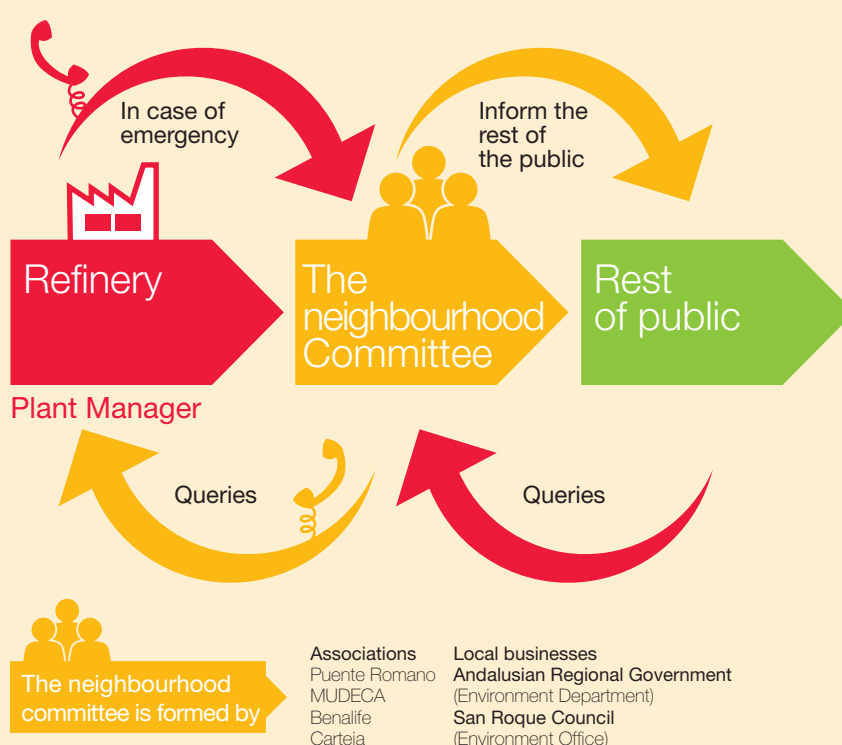
Committee members can also contact the plant manager directly with any queries about the plant. The telephone numbers of neighbourhood committee

members are included in emergency procedures so that they are kept informed of any incidents.

Finally, as a supplementary activity, visits to key areas of the refinery are programmed to enable local representatives to gain greater knowledge of the activity carried out in their area and inform the rest of the public.

In total, three meetings were held with the neighbourhood committee, which resulted in the installation of an information panel on the quality of

the air in Puente Mayorga and an engineering project to inject oxygen at the refinery's wastewater plant to reduce odours.





Contributing to projects of public interest

CEPSA's support for social, cultural, environmental and sporting projects help it integrate and become familiar with the community in which it operates. Every year the Company undertakes and collaborates in different initiatives.

The growth in sporting activities reflects CEPSA's sponsorship of the Spanish paralympic team, which will compete in the 2008 Paralympic Games in Beijing.

Investment in business responsibility actions

(Euros)

	2007	%	2006	%	2005	%
Social	723,330	22	1,163,010	37	432,654	19
Cultural	1,050,972	33	1,268,774	40	1,268,494	55
Environmental	376,890	12	205,136	6	184,783	8
Sports	1,058,426	33	541,519	17	411,871	18
Total	3,209,618	100	3,178,439	100	2,297,802	100

Social commitment

CEPSA directs its efforts towards those initiatives that benefit people most in need and encourages its employee to volunteer for projects.

DETEN Química employees have formed a choir which, as part of the "Solidarity Art" programme, performs at community institutions for the underprivileged. CEPSA Portuguesa has been involved with the Association of Parents and Friends of Children with Cancer

(ACREDITAR), helping to collect donated items and enabling willing employees to provide their professional experience. It also works with the institution Banco Alimentar contra a FOME (BACF). Volunteer programmes are carried out twice a year and mainly involve requesting and collecting foodstuffs from the major supermarkets in Lisbon and Gran Oporto.

The CEPSA Social Value awards have been distributed in Huelva, in their third edition, and in Madrid for the first time. This initiative helps to improve quality of life for the most underprivileged.

Promotion of culture and education

As a member of the community, CEPSA collaborates with universities, councils, schools and foundations to help preserve popular culture and heritage and to support education through cultural, educational and scientific activities.



Case study

Children's activities during Christmas holidays

The Christmas holidays are difficult to organise for working parents of children of all ages.

Giving parents another option, through the "Tenerife" refinery, CEPSA installed a marquee in the Plaza Tomé Cano that took up to 80 schoolchildren. This initiative gave local people a place to leave their children to enjoy various educational and recreational games and activities while they worked.

Aimed at children aged between 4 and 13 years, the project offered a completely free-of-charge creche service from 18 December to 5 January between the hours of 09:00 and 21:00. Children were professionally monitored at all times to ensure their safety and entertainment.

The marquee was divided into different zones to separate children of different ages into appropriate activities and workshops. Activities included: a playroom for the youngest children, with learning games and handicrafts; a science area, with environment and health workshops etc., and areas for music therapy and make-up sessions.

The project was very popular with Tenerife residents. Over 3,000 children visited the CEPSA Christmas Marquee, where they spent hours of enjoyment and learning.

The School of Industrial Engineering at the University of Seville has been contacted to arrange a Collaboration Agreement and create the CEPSA Chair.

In terms of heritage, ten paintings at the Santa María de la Rábida monastery in Huelva are now restored, completing one of the most engaging cultural projects in the province in recent years.

Respect for the environment

CEPSA's environmental initiatives are centred on encouraging awareness and respect for the environment, above all amongst young people, and support for various nature conservation projects.

Schoolchildren in the Campo de Gibraltar area were given the opportunity to attend the theatrical production "Gaia", which dramatises the workings of the planet and the consequences of everyday human activities, as part of CEPSA's environmental awareness initiatives. The "Cetaceans Room" project in Tenerife and the "Petrolito Educativo Viva" project in Colombia were launched.

Sports initiatives

CEPSA supports activities aimed mainly at encouraging young people to take up sports, through local sports clubs and schools, amongst others.

The Company promotes light sailing among the children and young people of Tenerife, improving their skill levels and maintaining sports facilities.

CEPSA sponsored the "Sports in the street" programme in San Roque, encouraging children to play sports while they are in the street. In Huelva, the Company helped to organise the Palos half marathon, a popular 21-km race through Columbine sites.

In Colombia, CEPSA has given notable support to the first local games in its area of activity and helped to organise a children's five-a-side football championship in the community.



Commitment to Technology

Our commitment | 45

2007 milestones / 2008 challenges | 45

Investment in R&D&I (Research, Development & Innovation) | 45

Information technology | 46

Research Centre | 46

Main biofuel research projects | 46

Case study: Maximisation
of propylene production at CEPSA refineries | 47



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.

2007 milestones

- Start-up of the Mx-SORBEX project at the “Gibraltar-San Roque” refinery, a plant with 50,000 tonnes of metaxylene, used as a raw material in the manufacture of petrochemical products.
- New phenol unit at the CEPSA petrochemicals plant in Palos de la Frontera.
- Vegetable oil hydrogenation testing for biodiesel production.

2008 challenges

- Bring two new units into service at the “Gibraltar-San Roque” refinery: vacuum distillation and hydrogen plant.
- Continue to make headway in the project to increase middle distillate production capacity at the “La Rábida” refinery.

Investment in R&D&I (Research, Development & Innovation)

It is of major importance for CEPSA to develop a strategy that enables it to maintain profitability and growth. Technology and innovation are key factors in this process.

In 2007 the Company allocated almost Euros 500 million to R&D&I -related activities, 14% more than in 2006.

These investments have mainly been used in the following initiatives:

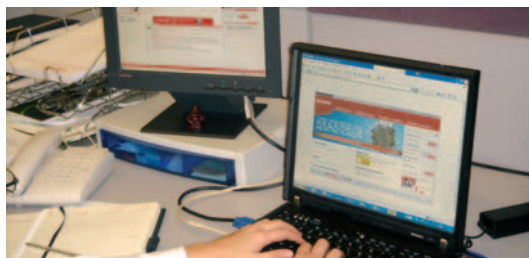
- Project to increase the capacity for middle distillates at the “La Rábida” refinery.
- Start-up of a new metaxylene production plant at the “Gibraltar-San Roque” refinery.
- New vacuum and hydrogen units at the “Gibraltar-San Roque” refinery.

R&D&I initiatives and investment

(Millions of euros)

	2007	2006	2005
Research and development	17	16	12
Innovation activities geared towards safety and reducing environmental impact	49	32	43
Innovation in product manufacturing, the design of improvements in processes and expansion of activities	415	381	251
Other (new Research Centre)	8	-	-
Total	489	429	306

- Launch of a new phenol unit at ERTISA.
- Various activities in the crude oil Exploration and Production area to maintain oil field production rates and explore new areas.



Information technology

The Company has devised a process for considerable technological innovation that enables it to increase cost efficiency, reinvest in process improvements, guarantee the security of information assets and carry out innovative initiatives and projects that increase the value of its business.

CEPSA has the following activities underway, which it considers crucial for the future:

- Business intelligence.
- Collaboration areas.
- Process-management technology using open systems architecture.

- Consolidation and virtualisation of processing and storage infrastructures.

Research Centre

In 2007 the CEPSA Research Centre continued to carry out the activities required by the Company's main business areas: Refining, Petrochemicals and oil and gas Exploration and Production. Its main objectives are to improve production processes, maximise unit efficiency

and optimise the quality of marketed products.

In the last year, CEPSA has worked on developing catalysts for phenol production through cumene oxidation. The Company has also developed a new process to improve the properties

of paraffin as fuel. At international level, the CONCORDE project has been completed. This project studied nanocrystalline metal oxides (used as catalysts in hydrocarbon oxidation reactions).

Main biofuel research projects

The Research Centre has continued an innovative line of research to obtain components of diesel, a fuel of which there is a shortage across Europe, from biological sources and with minimal effect in terms of net greenhouse gas emissions. The Research Centre also participates in the I+DEA project to study

the possible incorporation of bioethanol into diesel fuel, and leads a research project aimed at improving biodiesel quality control. At international level, the centre is involved in the Biosynergy project, aimed at generating fuels and chemical products from biomass and other natural waste.

CEPSA expects future research projects to be aimed at processes and products based on renewable agricultural components.



Case study

Maximising propylene production at CEPSA refineries

The “La Rábida” refinery has a fluid catalytic cracking (FCC) unit that processes one million tonnes of partially hydrotreated vacuum gas oil per year.

The main function of this unit is to produce light compounds and, particularly, to maximise the production of propylene, required as a raw material in the processes of the petrochemicals plant in Palos de la Frontera, which manufactures phenol. As this refinery does not produce sufficient propylene, CEPSA must acquire this material on the market, occasionally at high prices.

The most common way to increase propylene production is by using zeolite-based additives (ZSM5) for the FCC unit catalyst. This process is limited as it dilutes the catalyst, with a consequent reduction in activity and conversion.

To avoid this limitation and its consequences, and reduce gas and carbon levels, while maximising propylene production, the Research Centre carried out a study to select a catalyst that was better adapted to requirements.

CEPSA reached an agreement with Grace Davison, a leading company in the catalyst sector, to test a new technology known as ProtAgon, using the ProtAgon 20C catalyst. The tests were initially carried out in the laboratory unit and the results were confirmed in a pilot plant operating around the clock. Both tests were performed at the Research Centre.

The study concluded that this technology not only enables an increase in propylene production at the same reaction temperature as when ZSM-5 additives are used, but also that production levels can be maintained with a decrease of 10°C to 15°C in the reactor temperature. This reduces production of carbon and gas, factors which normally restrict unit operations, thereby enabling an increase in its load and net production of propylene.

The forecast economic benefit of this new catalyst for plants has been exceeded: use of the ProtAgon 20C is generating profits of Euros 15,000 per day, compared to the Euros 11,000-14,000 per day initially estimated.

The “Gibraltar-San Roque” and “La Rábida” refineries currently use ProtAgon family catalysts, after the restructuring carried out by the Research Centre to optimise their performance.

10 Greenhouse Gases

Our commitment | 49

2007 milestones / 2008 challenges | 49

Managing greenhouse gases | 49

Inventory of GHG emissions | 50

Improving processes and products | 50

Risks and challenges deriving from legislation on GHG | 51

Case study: Reducing CO₂ emissions
in the CADU2 unit at the “Tenerife” refinery | 51



Our commitment

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

2007 milestones

- Maintaining emission levels despite the start-up of two large units.
- Initiation of projects to verify the feasibility of storing CO₂ in saline aquifers.

2008 challenges

- Progress towards reducing CO₂ emissions by 1%.
- Investigate the possibility of storing CO₂ in saline aquifers.
- Continue the study of implementing renewable energies.

Fossil fuels such as gas, oil or coal are the world's main sources of energy. However, their combustion causes almost two thirds of GHG emissions.

In response to global concern over climate change and in line with the precautionary principle, CEPSA has introduced measures such as the optimisation of its production processes, energy saving initiatives at Company installations and the monitoring and control of energy consumed.

The Company also has the opportunity to take part in initiatives launched by governments and the European Union, including participation in emission rights markets and clean development projects.

Managing greenhouse gases

Managing GHG is a key activity in CEPSA. There are two units responsible for managing and monitoring these emissions:

- The CO₂ Committee's functions are to monitor compliance with prevailing legislation regarding GHG and to plan actions associated with flexible mechanisms for CO₂ markets, including participation in the Spanish Carbon Fund³⁹ and the Clean Development Mechanism⁴⁰.
- The GHG management department oversees compliance with Kyoto Protocol directives and with European and Spanish regulations, establishing systems for monitoring CO₂ emissions. Furthermore, it defines and manages the strategies necessary to achieve the objectives set by the Company to reduce GHG emissions, including participation in the CO₂ market.

³⁹ Created with Euros 170 million in 2005, the Fund is managed by the World Bank. Its resources are allocated to purchasing emission reductions through Clean Development Mechanism projects,

⁴⁰ 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.



Inventory of GHG emissions

Despite the saving and optimisation measures introduced by the Company, the total emissions output of the CEPSA installations included in the National Allocation Plan for Emission Rights has increased.

The main causes have been:

- The 2007 start-up of the "La Rábida" refinery plant for reforming light naphthas.
- The launch of the Phenol III plant in ERTISA.
- The increased production of the Company's cogeneration plants.

Emissions by areas of business

	2007		2006		2005	
	CO ₂	CO ₂ eq*	CO ₂	CO ₂ eq	CO ₂	CO ₂ eq
(Kilotonnes)						
Refining	3,316	3,329	3,319	3,341	3,392	3,447
Petrochemicals	843	862	779	782	970	1,059
Exploration/ Production	206	217	271	317	243	285
Cogeneration	885	893	863	870	1,197	1,206
Combined Cycle Power Plant	755	773	744	751	769	776
Total	6,005	6,074	5,976	6,061	6,571	6,773

* CO₂eq: This is the sum of the CO₂ emitted plus the tonnes of methane and nitrous oxide, multiplied by their global warming potential.

Improving processes and products

The Company undertakes to optimise its processes, with energy savings and efficiency as fundamental objectives for minimising GHG. In 2007, the main lines of action were as follows:

Reducing CO₂ emissions:

- Improving the energy efficiency of the crude oil unit at the "Tenerife" refinery.
- Implementing a combustion control system in the crude oil furnace at the "La Rábida" refinery.
- Greater energy efficiency in PETRESA San Roque.

Reducing energy consumption and improving equipment performance:

- Redesigning processes in PETRESA San Roque.
- Cogeneration plant in the "La Rábida" refinery.

Emissions by areas of business

	2007	2006	2005
Refining (t of CO ₂ equivalent / t of crude treated)	0.147	0.150	0.155
Petrochemicals (t of CO ₂ equivalent/ t of product obtained)	0.226	0.209	0.272
Exploration and Production (t of CO ₂ equivalent/ t of net oil)	0.044	0.065	0.061
Cogeneration (t of CO ₂ equivalent / total MWh exploited)	0.236	0.241	0.241
Combined Cycle Power Plant (t of CO ₂ equivalent / MWh net electricity produced)	0.398	0.406	0.385

CEPSA also helps reduce GHG by manufacturing more efficient products, including:

- The addition to its petrols of 125,000 m³ of ETBE, obtained from ethanol of agricultural origin and the mixture of biodiesel.
- The Óptima fuel range: DIESEL ÓPTIMA and ÓPTIMA 98.



Risks and challenges deriving from GHG legislation

The project for restricting GHG emissions, in which the European Union has actively participated, represents a significant challenge for companies. The Spanish government has taken urgent measures to ensure compliance with the obligations deriving from the Kyoto Protocol, including plans for renewable energy, energy saving measures, initiatives to support rail transport and modification of the National Allocation Plan. Furthermore, the European Commission has proposed a law, expected to enter into force in 2013, whereby allocations are replaced by an auctioning system. Allocations could therefore be substantially reduced after 2013 and phased out entirely by 2020.

In view of this situation, CEPSA has pursued a number of actions to reduce its emissions, which are based on the efficient operation of its plants as well as energy monitoring and saving initiatives.

Case study

Reducing CO₂ emissions in the CADU2 Unit at the “Tenerife” refinery

CADU2 is an atmospheric crude oil distillation unit. The cuts obtained are as follows: unit gas, liquefied petroleum gas (LPG), light naphtha (LN), heavy naphtha (HN), kerosene (KN), light diesel oil (LDO), medium diesel oil (MDO), heavy diesel oil (HDO) and fuel-oil or atmospheric residue (AR). The relative proportion obtained of each is determined by the characteristics of the crude oil used by the unit and by operating conditions.

The environmental objectives in the Refinery's Environmental Declaration include reducing sulphur dioxide (SO₂) and carbon dioxide (CO₂) emissions. Phase 1 of CADU2's revamping project was implemented to achieve this goal.

The project, commenced during the shutdown in March 2007, consisted of modifying the circuits of the heat exchanger train, in line with the principles of Pinch technology⁴¹.

Since the start-up of the unit, the Company has made considerable fuel savings, and consequently reductions in the tonnes of CO₂ and SO₂ emitted by the furnace.

The investment amounted to Euros 3.5 million and the achievements obtained, comparing data for 2006 and 2007,⁴² were as follows:

- Reduction in CO₂ emissions: 2,961 t/year, 2.1% reduction in the refinery's overall emissions.
- Increase in unit output: 439,310 t/year, reflecting an increase of 11.9%.
- Reduction in CO₂ emissions per tonne processed: 12.5%.
- Reduction in SO₂ emissions per tonne processed: 10.6%.

CEPSA plans to implement Pinch technology in the Visbreaker unit in 2009, with an estimated investment of Euros 2.2 million. The Company is also considering the possibility of extending this technology to other refining units.

Financial data relating to GHG

(Thousands of euros)

	2007	2006
Investment in R&D	283.5	266
Clean Development Mechanisms (amount paid into the Spanish Carbon Fund)	534.8	-
Investment in projects for saving energy and reducing CO₂ emissions		
Refining	5,457	4,184
Petrochemicals	255	1,710

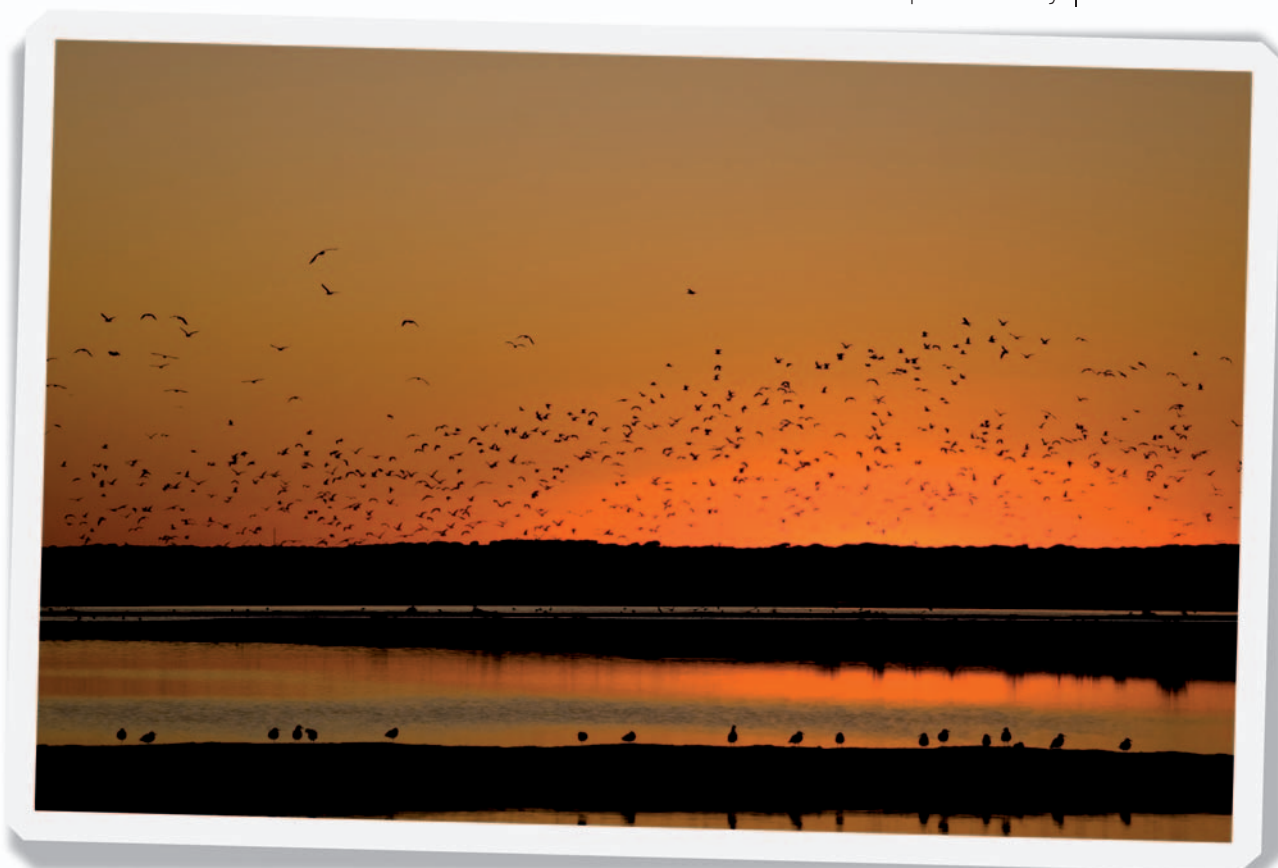
⁴¹ Pinch technology is a methodology which optimises the energy recovered at industrial installations by exploiting hot currents which require cooling and cold currents which require heating, analysing these currents and determining the exchange of heat which best complies with established Pinch criteria.

⁴² The project was implemented in March 2007, and consequently the data provided for that year refers to March 2007/March 2008, compared to 2006.

11

Environmental Management

Our commitment	53
2007 milestones / 2008 challenges	53
Environmental management systems	53
Environmental investment	54
Resource consumption indicators	54
Atmospheric emissions	56
Water consumption and reuse	56
Waste and controlled discharge management	57
Product transportation	58
Significant fines and non-monetary penalties for breaches of environmental legislation	59
CEPSA's position regarding recently enacted legislation	60
CEPSA and REACH in 2007	61
Protection of biodiversity	61
Case study: Reducing benzene emissions at the "Gibraltar-San Roque" refinery	63



Our commitment

By the nature of its activities, CEPSA assumes a responsibility for the environment in which it operates.

The Company has undertaken to reduce its environmental impact as much as possible and has launched various mechanisms to achieve this.

2007 milestones

- Procurement of Integrated Environmental Authorisations (IEA) at the “Gibraltar – San Roque” refinery and INTERQUISA San Roque.
- Preliminary situation reports for all CEPSA facilities for environmental departments in respective autonomous regions.
- Progress in Leak Detection and Repair (LDAR) programmes to measure and quantify volatile organic compounds (VOCs) at the industrial plants.
- Analysis and valuation with the Ministry of Industry to set limits for CEPSA plants in relation with the National Plan for the Reduction of Emissions.

2008 challenges

- Obtain the IEA for the “Tenerife” refinery.
- Commence upgrading of the wastewater treatment plant at the “Tenerife” refinery.
- Optimise environmental aspects for all CEPSA facilities.
- Continue action plans launched as a result of new limits on emissions.
- Establish CEPSA policy and general action plan for protecting biodiversity.

The environment has been one of the areas subject to most discussion, legislation and concern in the last ten years, above all in the most developed countries. Governments, ecology groups and the general public want policies and initiatives that put a stop to the deterioration of natural resources.

CEPSA has developed a strategy aimed at reducing, at source, the possible causes for degradation of the environment. This strategy is essentially based on energy efficiency, which results in reducing usage of raw materials and less atmospheric emissions.

The Company has a Basic Environmental Regulation establishing essential principles and policies for consistent environmental conduct in all operations and at all Company centres and facilities.

Environmental management systems

These systems enable the Company to fulfil the 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

Wastewater treatment plants have also been upgraded, at the "Tenerife" refinery, and extended, with a new plant, at the "La Rábida" refinery.

In the Petrochemicals area, energy savings measures have been

implemented together with a change to a cleaner fuel, natural gas. Investments in the environment reflect the commitment acquired through environmental targets. The main investments in the Refining area have been directed at atmospheric

emissions, including particle capture and advances in recovering acidic gases.

Environmental investment

Business units	2007		2006		2005	
	Millions of €	%	Millions of €	%	Millions of €	%
Refining	29.6	74.8	15.8	57.0	10.3	41.6
Petrochemicals	4.1	10.3	3.9	14.1	4.7	18.9
Exploration and Production	-	-	2.7	9.7	3.7	15.0
Marketing and logistics	5.9	14.9	5.3	19.2	6.0	24.2
Others	-	-	-	-	0.1	0.3
Total	39.6	100	27.7	100	24.8	100

Environmental investment

Environmental aspect	2007				2006		2005	
	Expense ⁴³		Investment		Investment		Investment	
	€	%	€	%	€	%	€	%
Waters	25.86	43.8	5.36	13.5	6.0	21.7	4.7	19.0
Atmosphere	18.02	30.5	29.44	74.3	10.6	38.3	8.9	35.9
Waste	6.85	11.6	0.05	0.1	2.5	9.0	2.8	11.3
VOC	0.00	0.0	1.57	4.0	0.4	1.3	0.7	2.8
Soil and groundwater	3.98	6.7	1.98	5.0	4.9	17.7	3.6	14.5
Noise and others	4.30	7.3	1.22	3.1	3.3	12.0	4.1	16.5

Resource consumption indicators

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

variations are usual considering plant operations.

Two production units were launched in 2007 which had an impact on most of

the indicators in this chapter: the light naphtha reforming plant at the "La Rábida" refinery and phenol III plant in ERTISA.

⁴³ Data for 2005 and 2006 is not available.



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 and indirect energy consumed by CEPSA derives from primary non-renewable sources, essentially natural gas, fuel gas, fuel oil and diesel.

Direct energy consumed in 2007 was 4.3% more than in 2006. The rise was due to the launch of new production plants, whereas indirect energy consumption is down 0.5% compared to the prior year.

Direct energy consumption

Breakdown by primary sources	2007	2006	2005
(Thousands of gigajoules)			
Fuel gas + fuel oil	55,406.79	56,886.93	58,835.94
Natural gas	45,405.98	37,442.95	38,277.92
Others (coke, kerosene, diesel)	5,200.03	7,268.92	7,173.72
Total	106,012.80	101,598.80	104,287.58

Indirect energy consumption

Breakdown by primary sources ⁴⁴	2007	2006	2005
(Thousands of gigajoules)			
Electricity	7,823.84	7,657.66	7,408.43
Steam	--	--	--
Others		206.63	203.08
Total	7,823.84	7,864.29	7,611.51

Energy efficiency

This indicator enables energy consumption to be related with the different divisions' volume of activity.

Direct and indirect energy consumption by volume of activity

Breakdown by business area	2007		2006		2005	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Refining (gigajoule/ t processed)	2.83	0.18	2.82	0.17	2.88	0.17
Petrochemicals (gigajoule/ t produced)	5.36	0.86	4.60	0.91	4.91	0.86

Consumption of raw materials

Oil is the main raw material for CEPSA. The Company used 21.8 million tonnes of crude oil for distillation at its refineries in 2007. Its activities are integrated with those of the petrochemical plants.

Consumption of raw materials

	2007	2006	2005
(Thousands of tonnes)			
Refining ⁴⁵	21,776	25,928	25,878
Petrochemicals	3,539	3,425	3,574

⁴⁴ In 2007 indirect energy consumption data for prior years was modified, as 2005 and 2006 data included steam, which is energy generated at the refineries, through fuels already included in the data for direct energy consumed.

⁴⁵ The variation in the figures for this indicator, for the Refining area, is because end products and intermediaries discharged at the refineries were also considered as raw materials before 2007 and, therefore, no comparisons should be made.



Atmospheric emissions

Fuel consumption at CEPESA facilities generates atmospheric emissions. Reducing these emissions is a Company goal and the main 2007 initiatives were:

“La Rábida” refinery: General reduction in fuel consumption (fuel gas, fuel oil and natural gas); reduction of the average sulphur content in fuel and inclusion of Superclaus stages in sulphur plants.

“Gibraltar-San Roque” refinery: Improved quality of fuels (manufacture of fuel oils with lower sulphur content); improvements implemented at the sulphur and amines plants with fuel

Atmospheric emissions

By type of compound⁴⁶
(Tonnes)

	2007	2006	2005
NO _x	9,585.30	18,169.25	17,022.29
SO ₂	21,360.84	19,419.61	24,729.25
Volatile organic compounds ⁴⁷ (VOC)	-----	6,702.01	5,575.70
Particles	573.05	610.58	872.65

(fuel gas) practically free of sulphides and implementation of a leak detection and repair (LDAR) programme.

Other activities: changes in the fleet of lorries to vehicles with lower consumption and emissions.

PETRESA San Roque: since June 2007, furnaces adapted to consume natural gas, which represents 97% of this plant's total fuel consumption.

Water consumption and reuse

The reuse of water increased in 2007 with the twin objectives of reducing consumption and the amount of liquid effluents that subsequently need to be treated before their final discharge.

CEPSA's water consumption was 4.6% higher in 2007 than in 2006, essentially because of the new production plants and the larger amount injected in crude oil wells in the Exploration and Production area.

Although the total water consumed has risen, its reuse has grown by over 50% compared to 2006, due to the advantage taken of the water ejected from the plant by osmosis.

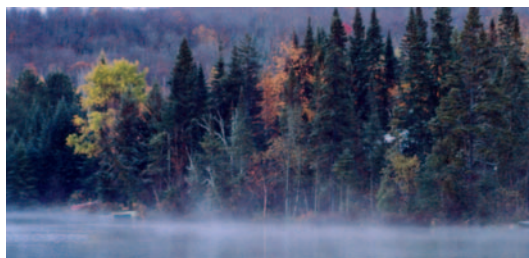
Volume of water recycled and reused (V. Rec)⁴⁸

By business area	2007			2006			2005		
	V. Total	V. Rec	%	V. Total	V. Rec	%	V. Total	V. Rec	%
(Thousands of m ³)									
Refining	12,792.36	2,206.46	17.25	12,624.69	725.83	5.75	13,559.90	360.14	2.66
Petrochemicals	11,590.23	14.51	0.12	10,339.91	321.77	3.11	11,140.24	348.56	3.13
Exploration and Production	21,325.60	-	-	20,433.26	-	-	19,128.29	-	-
Marketing and logistics	997.47	0.018	0.002	952.53	23.25	2.44	99.79	25.11	25.2
Others	1,068.94	-	-	1,302.74	-	-	1,104.38	-	-
Total	47,774.60	2,220.99	4.65	45,653.13	1,070.85	2.35	45,032.61	733.81	1.63

⁴⁶ 2007 emissions for the first time include data from Exploration and Production and therefore the figures for previous years have been adjusted.

⁴⁷ VOC measurements are not by centre but by emission focal points and therefore CEPESA has decided not to offer data for 2007, as it cannot be compared with prior years and indicators.

⁴⁸ The number of production cycles in which it has been possible to use the same charge of water is used to calculate the volume of water recycled/reused. For example, if 20m³ of water are required for a cycle and subsequently reused for a further three cycles, the total volume recycled/reused for this process is 60m³ of water. The scope is extended to include ASES in Refining, NGS and Research Centre in Others and AMARCO, CECOMASA and ECANSA in Marketing and Logistics.



Controlled discharge management

All of CEPSA's production facilities have effluent treatment plants to ensure that discharges are within the limits established by prevailing legislation.

The Company's business areas have reduced their volumes of controlled discharges, except Petrochemicals due to the launch of the phenol III plant.

Volume of controlled discharges

By business area	2007	2006	2005
(Thousands of m ³)			
Refining	7,649.73	7,983.94	8,216.42
Petrochemicals	5,004.89	4,575.06	5,052.88
Exploration and Production	25.51	26.29	28.74
Marketing and logistics ^{a)}	996.93	1,032.71	41.91
Others (Research centre and NGS)	141,629.84	178,446.06	182,300.38
Total	155,306.90	192,064.76	195,639.95

Waste management

Different types of waste are separated for treatment when generated, depending on their nature and composition. Hazardous waste is segregated and managed differently to non-hazardous, industrial waste or that which could be included in urban waste. Waste is removed by external, government-authorised companies.

The growth in the amount of waste in 2007 is due, among other reasons, to the dismantling of the lubricants plant at "La Rábida" refinery and because a larger amount of clay than expected was generated at the light naphtha reforming plant.

Reasons for the rise in hazardous waste include the cleaning of a storage tank,

Waste management generated

	2007	2006	2005
(Tonnes)			
Hazardous waste	45,852.78	44,418.4	45,812.77
Non-hazardous waste	23,352.63	20,485.63	30,337.59
Total	69,205.41	64,904.03	76,150.36

Exploration and Production waste

	2007	2006	2005
(m ³)			
Non-hazardous waste (from drilling)	4,550	13,164	4,402

carried out every four years, management of the sludge from the tanks and a greater usage of sepiolite (a mineral used to combine discharged products).



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 and the used

Recovered lubricants, containers and packaging⁵⁰

	Year	Products	Containers
Amount recovered (Kg)	2007	62,937,317	499,586
	2006	5,497,212	898,623
	2005	5,087,841	977,437
Total products sold (Kg)	2007	98,889,437	98,889,437
	2006	7,430,460	10,397,590
	2005	7,594,138	11,505,811
% recovered	2007	63.64	100
	2006	73.98	100
	2005	67.00	100

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 to collect data on recovered amounts of used oils and containers and packaging is external.

Product transportation

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, implementing measures to prevent leaks, training its workers and regularly reviewing vehicles to ensure that they meet legal noise limits.

Spillages

CEPSA is strongly committed to preventing spillages, implementing precautionary measures in its loading and unloading areas, maintaining preventive infrastructures and decontamination units, and taking direct action to avert possible contingencies through the maintenance and extension of piezometric networks and regular analyses.

The Company has established numerous general and specific procedures for preventive inspections of its installations,

which make it possible to detect anomalies that could cause accidents (and therefore spillages in some cases) before they occur.

In order to anticipate possible pollution in the case of spillages during loading or unloading of products transported by ship, the Company is working on the implementation of predictive systems to detect and manage spillages. These include detection and alarm systems for the leakage of hydrocarbons from floating hoses and hoses submerged by monobuoys, and systems to predict movement in oil slicks.

⁵⁰ The quantitative data only refers to lubricants distributed by CEPSA Lubricantes, S.A. Data for 2007 refers to lubricants for all Spain, and not only at local level (Canary islands) as in prior years.



Spillages⁵¹ in normal plant operation

(No. of spills)

	2007	2006	2005
Crude oil, fuel	12	41	32
Others	24	49	43
Total	36	90	75

Spillages in road transport of products

	2007		2006		2005	
	Number of spillages	Volume (tonnes)	Number of spillages	Volume (tonnes)	Number of spillages	Volume (tonnes)
Crude oil, fuel	1	12	0	0	0	0
Others	2	9.63	2	2.05	9	30.53
Total	3	21.63	2	2.05	9	30.53

Spillages in sea transport of products

	2007		2006		2005	
	Number of spillages	Volume (tonnes)	Number of spillages	Volume (tonnes)	Number of spillages	Volume (tonnes)
Crude, fuel	2	-	1	0.10	2	5.92
Others	1	-	0	0	0	0
Total	3	-	1	0.10	2	5.92

Significant fines and non-monetary penalties for breaches of environmental laws and regulations

Companies must ensure that all production activities comply with prevailing legislation in all instances.

CEPSA's Legal Advisors work to ensure that the Company makes legally acceptable decisions, and defend its interests in any lawsuits, whether these derive from

Company actions or external actions affecting the Company.

To achieve these objectives, advisory work is carried out from a dual perspective: preventive work which could be considered as consultation, and corrective work in the event of disputes.

Contact is also maintained with companies and associations in the sector as well as with government authorities. The Company participates through comments on draft bills and law bills that affect its activity.

⁵¹ The total volume of spillages is not included, given that this figure is only registered when the volume spilled in the incident is greater than one barrel of petrol (159 litres). All the spillages that occurred in 2006 were below this volume.



CEPSA's position regarding recently enacted legislation

As in the 2006 report, in addition to information on environmental performance, this section describes CEPSA's position regarding current topics in environmental legislation.

Integrated Environmental Authorisation and projections for adapting to best available techniques

In accordance with Law 16/2002 on Integrated Pollution Prevention and Control, the CEPSA installations requiring Integrated Environmental Authorisation (IEA) are the three refineries, "Gibraltar-San Roque", "La Rábida" and "Tenerife", the three petrochemical plants, ERTISA, PETRESA San Roque and INTERQUISA San Roque, and ASESIA and NUEVA GENERADORA DEL SUR (in which CEPSA has a 50% interest). At 31 December 2007 all these centres have IEA except for the "Tenerife" refinery, which presented its documentation and relevant application in May 2006 and is pending notification from the Canary Islands Vice-Ministry for the Environment.

In line with Best Available Technologies (BAT) CEPSA imposes stricter emission limits at its facilities with IEA, applying diverse measures including the following:

"Gibraltar-San Roque" Refinery:

Implementation of Leak Detection and Repair (LDAR) programmes; odour-reduction studies at the wastewater treatment plant; extension of the air quality monitoring and control network; preparation of a plan to adapt storage facilities to international standards for impermeable containers; consumption of both gaseous and liquid fuels with low sulphur content.

INTERQUISA San Roque:

Implementation of Best Available Technologies for the purification of organic compounds emitted in processes; cleaning systems for silo effluents; adaptation of the storage facilities by sealing tanks and installing leak detection systems.

Adaptation of Large Combustion Plants to the National Plan for Emissions Reduction

The techniques of large combustion plants (LPC) for reducing emissions have focused on using fuels with low sulphur content and increasing consumption of gaseous fuels, such as natural gas and refinery gas. Other initiatives include installing burners with a low nitrous oxide (NO_x) content and optimising combustion to improve energy efficiency and reduce CO₂ and NO_x emissions in furnaces and boilers.

Plans for compliance with the future Environmental Responsibility Law

Law 26 of 23 October 2007 on Environmental Responsibility entered into effect during 2007. Although CEPSA commenced preparations for compliance with this law some time ago, the Company is aware of the possible damage its installations could cause in the event of an accident and has therefore developed a rigorous prevention policy.

To ensure its maximum application, CEPSA held training days throughout 2007 for different departments and levels of responsibility to explain the law's implications with respect to the Company.

Preparation of Preliminary Reports on soil pollution: Royal Decree 9/2005

February 2007 was the deadline to present preliminary reports on soil pollution for facilities included in the scope of application of Royal Decree 9/2005. All CEPSA plants and installations affected complied with the established deadline.

CEPSA installed piezometric networks in all its industrial plants years ago in anticipation of the above-mentioned legislation and to prevent and correct the contamination of soils and groundwaters.



CEPSA and REACH in 2007

This legal framework requires manufacturers and importers of chemical products in volumes of over one ton per year to evaluate the risks derived from their use and adopt the necessary measures to manage any unidentified risk.

The management and implementation of REACH entails, inter alia, the identification of substances, which should be pre-registered, then registered with the European Chemical Agency, and meeting any requirements of the relevant authorities.

In 2007 CEPSA estimated the number of substances to be registered in accordance with the REACH directive. In the area of refinery energy products, 35 substances and 55 intermediary products were identified, and a further 25 were detected in the other areas (above all petrochemical products). The final number will be known once the pre-registration stage has been completed.

In 2007 the Company also completed the implementation, commenced in 2006, of the "ATRION" application to generate secure data files, with contents in line with prevailing legal requirements.

It should be noted that CEPSA employees responsible for managing the information required by REACH are receiving comprehensive training.

Protecting biodiversity

The operations carried out in CEPSA's installations may have a negative impact on natural habitats in the areas in which the Company is present. Consequently, CEPSA undertakes a wide-ranging programme of initiatives each year with a view to reducing the impact of its activities on the environment, and therefore on biodiversity in the areas where it operates.

The potential impacts of CEPSA's activity on biodiversity may be direct or indirect, as the Company's operations involve a wide range of processes which may affect air, water, land, natural resources, flora, fauna, human beings and the relations between these. CEPSA gives priority to these issues and adopts a preventive focus, based on the principle of continuous improvement, with the goal of reducing these impacts.

The Company is aware of the need to maintain a balance between energy requirements and respect and protection of the environment.

Each year CEPSA earmarks resources for different projects to maintain a strong correlation between economic and social development. The Company also carries out specific initiatives requested by the communities in which it operates.



Business area/ protected areas

(No. of areas)

	2007	2006	2005
Refining	1	1	1
Petrochemicals	1	1	1
Exploration and Production	0	0	0
Marketing and Logistics ⁵²	37	48	75
Total	39	50	77



Although most of the areas with the greatest biodiversity are officially protected natural parks, national parks, nature reserves, etc., this is not always the case.

To give due importance to all species and not only those found in protected areas, CEPSA has evaluated the surroundings of its installations in areas with a high biodiversity value. The Company has based its approach on a study carried out by the Ecology department of the Alcalá de Henares University⁶³, which analysed the biodiversity value of mammals, birds, amphibians and reptiles in mainland Spain and the Balearic Islands.

Business area/ wetlands	2007	2006	2005
(No. of areas)			
Refining	1	1	1
Petrochemicals	1	1	1
Exploration and Production	0	0	0
Marketing and Logistics	17	16	35
Total	19	18	37

Business area/areas of high vascular Plant biodiversity	2007	2006
(No. of areas)		
Refining	2	2
Petrochemicals	2	2
Exploration and Production	0	0
Marketing and Logistics	165	157
Total	169	161

Business area/areas of high vertebrate biodiversity	2007	2006
(No. of areas)		
Refining	3	3
Petrochemicals	3	3
Exploration and Production	0	0
Marketing and Logistics	119	116
Total	125	122



Case study

Reducing benzene emissions at the “Gibraltar-San Roque” refinery

The reduction of benzene emissions to the atmosphere constitutes a significant and priority environmental aspect for the population in the refinery's immediate surrounding as well as for the health of its personnel. At the beginning of 2005, information on air quality became known and, consequently, the Company set short and medium-term targets to carry out a work plan based on two main stages:

- Identify the different benzene emission sources
- Quantify emissions. Campaigns to measure emissions in air and water.

The potential benzene emission sources have been classified according to the different stages in which this compound is present during the refinery's production cycle: process area; wastewater treatment plant; storage tanks; loading and unloading of tankers; and treatment of sludge.

The Company has implemented the LDAR programme: **Leak Detection and Repair** programme, which aims to reduce volatile organic compound

(VOC) pollution to identify and act on the different emission sources in the process area.

The initiatives proposed to monitor benzene emissions are as follows:

These initiatives will involve an investment of Euros 2.3 million and result in improved environmental quality, with a foreseeable reduction of emissions up to values similar to those generated through Best Available Practices.

	Urgent measures	Medium-term measures
Emissions of benzene from plants.	Installation of double joints and locks on pumps. Closed purging systems.	Monitoring measures. Continuous benzene detection systems.
Leak Detection and Repair programme (LDAR)		
Emissions from the storage and transfer of benzene	To prevent emissions from tank breathing valves install floating screens in four ceiling tanks and eliminate storage in one spheroid until it can be replaced by another floating roof tank.	Installation of floating each screens in tanks. Leaked emissions from tank have been reduced by 95%. Review of floating ceilings of existing tanks.
Emissions from the wastewater treatment plants	Reduce the purge frequency of the tanks.	Cover open equipment to minimise emissions to the atmosphere caused by evaporation of VOCs.
Emissions from tanker loading operations.	Avoid spillages during the operation.	Vapour recovery system at the H and I docks. Plan to reduce benzene emissions in the sea terminal loading-unloading system.

Appendix: Glossaries

Sector terminology:

Alkylation plant:

Plant where a chemical reaction process is carried out which produces high-octane molecules to be used in petrol and other applications.

Atmospheric distillation:

Process whereby crude oil is heated in an atmospheric pressure distillation column to separate it into lighter fractions with different properties. The lighter components, such as gases (butane and propane) and naphtha, rise while the heaviest component sinks. Atmospheric fuel remains at the bottom of the column.

Atmospheric fuel:

A mixture of heavy hydrocarbons, which needs to be distilled at less than atmospheric pressure to be separated into the different products it comprises.

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.

ETBE:

(Ethyl tertiary butyl ether)
Chemical compound used in making petrol to increase the number of octanes.

ETBE plant:

Plant where ETBE is obtained from bioethanol and the product of FCC, with the objective of improving the quality of petrol.

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.

Hydrosulphuration plant:

Treatment plant which eliminates sulphur contained in oil products.

Isomerisation plant:

Treatment plant with the goal of obtaining high-octane products to be used in petrol.

Sulphur plant:

Treatment plant which recovers this product for monitoring and commercialisation.

Thermal cracking:

The application of steady heat and pressure to break down heavier molecules into lighter ones.

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 petrol.

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.

Expressions and acronyms used in the report:

Barrel:

Standard measurement for crude oil, equivalent to 159 litres.

Biodiesel:

Fuel derived from vegetable oils for use in diesel engines.

Biofuels:

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

Clean development mechanism (CDM):

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

CO₂:

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. CEPSA's refineries and three petrochemical plants located in Spain are associated with this organisation.

Combined cycle:

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

Effluent:

Liquid waste resulting from the different processes of a production plant.

Emission rights:

Permits or credits granted to organizations that allow them to comply with the objectives of the Kyoto protocol, which may then be traded within a regulated market.

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.

ILO (International Labour Organisation):

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

IPPC:

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

ISO:

International Organization for Standardization.

ISO 9001:

Certifiable International quality management standard.

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.

MWh:

Megawatt hour. Unit for measuring energy.

National Plan for the Allocation of Emission Rights

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

NOX:

Nitrogen oxides.

OHSAS 18001:

Series of voluntary international standards to improve occupational health and safety management.

REACH:

Registration, Evaluation and Authorisation of Chemicals.

PTA:

Purified terephthalic acid.

SO₂:

Sulphur dioxide.

T:

Metric ton.

United Nations Global Compact:

This initiative aims to encourage the private sector to undertake environmental, labour, human rights protection and anticorruption commitments.

VOC:

Volatile Organic Compound.



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Other information of interest on CEPSA

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