

**PNG LNG Quarterly
Environmental and Social Report**

**First Quarter
2013**



PNG LNG

*Energy for the World. Opportunity for Papua New Guinea.
Eneji Bilong Wol. Luksave Bilong Papua Niugini.*



SUPPORTING PAPUA NEW GUINEA'S RICH BIODIVERSITY

“We are committed to working with the Government, non-government organizations and the people of Papua New Guinea to protect and enhance this nation’s rich, unique and internationally renowned biodiversity.”



- Decie Autin, Project Executive, Esso Highlands Limited

The Papua New Guinea Liquefied Natural Gas (PNG LNG) Project (the Project) marked many milestones during the first quarter 2013. One in particular was the signing of an agreement with the Mama Graun Conservation Trust Fund and the University of Papua New Guinea to deliver a conservation training program to build enhanced conservation capacity of individuals and organizations in Papua New Guinea. This is part of the significant progress made across all five components of the Project’s biodiversity offset program, which is intended to support and enhance biodiversity activities in Papua New Guinea.



Peter Graham, Managing Director, Esso Highlands Limited, signing the agreement with Leo Bualia, Executive Director, Mama Graun Conservation Trust Fund

In this thirteenth PNG LNG Quarterly Environmental and Social Report, updates are provided about the Project’s environmental, construction, safety, health, security and social progress this quarter. Esso Highlands Limited, a subsidiary of Exxon Mobil Corporation, is responsible for the Project’s construction and operation and is developing the Project with co-venturers: Oil Search Limited, National Petroleum Company of PNG (Kroton) Limited, Santos Limited, JX Nippon Oil and Gas Exploration Corporation, Mineral Resources Development Company Limited and Petromin PNG Holdings Limited, and their affiliates.

Construction

The Project has completed over 130 million work hours since construction began. A significant milestone was achieved during this quarter with completion of both the Offshore Pipeline and Upstream Infrastructure contractors’ scopes of work. The Upstream Infrastructure contractor was the first major contractor to mobilize to Papua New Guinea and was tasked with a wide-ranging work scope that included infrastructure upgrades across the entire Upstream area; construction of the Project’s worker camps and a landfill site at Hides; as well as the bulk earthworks for the Hides Gas Conditioning Plant (HGCP) and Hides Wellpads.

In addition to the Offshore Pipeline and Upstream Infrastructure contractors completing their work scopes, a new contract was awarded for construction of the Permanent Facilities Compound near Port Moresby Airport. The new contractor mobilized to site and completed their pre-construction readiness review during the quarter. The Permanent Facilities Compound will include offices and associated service facilities for the production phase.

A major telecommunications milestone was also achieved during the first quarter, with completion of a 400-kilometre Fiber Optic Cable from Omati to Caution Bay.

**Project construction is
80% complete**

Key construction highlights are outlined in Table 1.

Table 1 – Contracts and construction highlights

Contract	Contractor	Major activities during the first quarter 2013
Upstream Infrastructure (C1)	Clough and Curtain Brothers Joint Venture	Completed 100 percent of their scope of work without a Lost Time Incident.
Offshore Pipeline (EPC2)	Saipem	Completed their scope of work without a Lost Time Incident and demobilized from the Project.
LNG Plant and Marine Facilities (EPC3)	Chiyoda and JGC Joint Venture	Completion of LNG Plant feed gas pipeline connection to the offshore pipeline. Engineering and procurement for the LNG Plant completed. Completed hydrotesting on the north and south LNG tanks.
Hides Gas Conditioning Plant and Hides Wellpads (EPC4)	CBI and Clough Joint Venture	Erection and mechanical completion of the slug catcher achieved. Completed heavy haul test runs for the Komo to Hides road. Concrete foundations laid for the major electrical and equipment control room in the gas processing area.
Onshore Pipeline (EPC5A)	SpieCapag	Over 294 kilometres of mainline welding, 205 kilometres of pipeline hydrotesting and 162 kilometres of Right of Way (ROW) reinstatement completed. Commenced construction of Hides gas gathering pipeline ROW.
Komo Airfield (EPC5B)	McConnell Dowell and Consolidated Contractor Group Joint Venture	Completion of fuel farm, power house and power generators.
Associated Gas Development	Various	Near mechanical completion of the second triethylene glycol unit at the Kutubu Central Processing Facility. Gas metering skid completed and prepared for commissioning.
Drilling	Nabors Drilling International Limited	Drilling Rig 703 commissioning activities commenced in preparation for the start of drilling on Wellpad C.
Permanent Facilities Compound	Leighton (PNG) Limited	Mobilized to site and completed pre-construction readiness reviews.



Aerial view of the HGCP

Safety, health and security

Regrettably, two separate fatal incidents occurred during this quarter. The Project is greatly saddened by these tragic events and expresses deepest sympathies to the families and friends of the individuals involved.

The first incident involved a pedestrian who was fatally injured in Semin Village near Mendi when struck by a contractor's third party convoy escort vehicle. Police were immediately notified and attended the scene. The second incident involved a tipper truck employed by a contractor's third party supplier, which rolled into a gully at Hides Hill resulting in the fatal injury of the driver and a passenger. Incident investigations were conducted and recommendations are being implemented to minimize the risk of these types of incidents recurring.

The Project continues to support contractors in their initiatives to reinforce programs dedicated to safe driving.

These events have further underlined the Project's firm resolve for all workers and contractors to promote safety consciousness at work and in the communities associated with the Project. Project workers and contractors who show a strong commitment to safety are recognized for their contributions and achievements.

At the tenth Safety, Security, Health and Environment leadership workshop held in March, several Project contractors were recognized for their safety performance. A safety milestone was also achieved this quarter with the 1,100th worker graduating from the Safety Champions initiative. This initiative continues to prove successful with attracting high levels of interest from workers and contractors.

As the Project makes the transition to the production phase, the Safety team is focusing on ensuring safe operations during commissioning activities, recognizing the impacts of introducing hydrocarbons to plant and equipment.

The Project has also developed a security transition plan that includes developing the skills and capabilities of local security service providers to ensure ongoing support to the Project's security requirements during the production phase.

The Health team is involved in transition planning by assisting contractors during the demobilization process with clinical stock management, medical equipment donation protocols to hospitals and community clinics, and the transfer and retention of medical records.

Workforce development

By the end of the quarter, the total Project workforce was 20,270, which is a slight decrease compared with the 21,220 workers at the end of 2012. This decline is an expected result of demobilization activities at some worksites following completion of work scopes. Of the total Project workforce, 66 percent are assigned to roles within the HGCP and LNG Plant site.

20,270 people make up the total Project workforce

The Project remains committed to building the skills of Papua New Guinean citizens for future roles both within and outside of the Project.

For example, in February the fifth intake of trainees graduated from the Juni Construction Training Facility, while the sixth intake of 20 new students began their training. The Juni Construction Training Facility provides programs that are Australian Quality Training Framework certified.

At the LNG Plant site, 171 trainees graduated with Technical and Further Education (TAFE) Australia awards this quarter. More than 1,000 Papua New Guinean trainees have attained their internationally recognized TAFE Certificate Level I or Statement of Attainment after completing a combination of classroom and on-the-job training.

In preparation for the Project's production phase, the second intake of Operations and Maintenance trainees began Advanced Skills training in Malaysia after graduating from the Basic Skills Training Program in Port Moresby during the quarter.



The Operations and Maintenance trainees upon arrival in Malaysia

The Project is also providing a new series of Women's Health Awareness Programs for female workers. The first of these monthly programs, Nutritional Awareness, was held in January. This was followed by programs targeting women's awareness of personal hygiene, and awareness of herbal products misuse.

Growing Papua New Guinean businesses

Another milestone was achieved this quarter with the 15,000th Papua New Guinean entrepreneur benefitting from the Enterprise Centre's workshops, use of workstations, business meetings or provision of information. The Centre has also provided the equivalent of more than 7,100 training days and over 880 advisory and mentoring days to Papua New Guinean businesses.

The Enterprise Centre plays an important role in connecting Project contractors with Papua New Guinean suppliers, particularly Landowner Companies (Lancos), for both construction and commissioning-related activities. During this quarter, the Project spent 227.6 million Kina (US\$106.4 million) with Lancos. This brings the total Project spend-to-date with Lancos to more than 1.7 billion Kina (US\$790 million).

Other Papua New Guinean businesses are also being used for support services, such as equipment hire and camp rental.

Together, these additional services and Lanco services brought the total in-country in Kina spend to more than 8.2 billion Kina (US\$3.8 billion) for the Project-to-date.

More than 8.2 billion Kina spent in Papua New Guinea to date

Social development

A social development milestone was achieved this quarter with the 1,000th participant successfully completing Personal Viability training. The program is intended to empower communities to drive their own development and help individuals manage their changing lifestyles. By the end of the quarter, more than 1,200 people had completed the program.

The Project is also working with communities to build their capacity in crop production and animal husbandry. This quarter, the Project distributed approximately 16,000 seedlings of high-yielding crops specifically selected for their compatibility to the Papua New Guinean environment. It also created 27 fact sheets in Pidgin and English to give farmers information about simple methods used to grow healthy crops.

To support trade in villages, construction has started on a permanent community market facility in Komo. The facility will contain purpose-built covered market structures within a fenced area. It will also incorporate a bus stop at the entrance, and is expected to become one of the central features of the developing Komo town center.

In recognition of the role of education in helping build the capacity of communities, the Project is sponsoring 17 students from communities surrounding the barging route waterways to attend numerous training institutions. The Project has also committed to sponsoring additional students for short training courses in the second quarter 2013.

Empowering women remains a priority for the Project. On March 8, the Project celebrated International Women's Day with events including a panel discussion about 'Gender Agenda Gaining Momentum'. The panel featured influential Papua New Guinean women including the first female Chief Magistrate of Papua New Guinea, the Acting Secretary for Foreign Affairs and Trade, and a Program Specialist from United Nations Women.



Nerrie Eliakim, Chief Magistrate of Papua New Guinea; Decie Autin, Project Executive, Esso Highlands Limited; Ambassador Lucy Bogari, Acting Secretary of the Department of Foreign Affairs; and Alethia Jimenez, Program Specialist, from United Nations Women cut a cake to celebrate International Women's Day

Environmental performance

The hydrocarbon spill rate in the first quarter is the lowest spill rate recorded since substantial works began in January 2010. Ongoing spill response training and drills continue at Project sites, with the Onshore Pipeline contractor conducting a full simulated spill response drill at Homa Quarry. The drill simulated a spill scenario of 400 litres of diesel to allow teams to test their readiness for incident response.

At the Hides Waste Management Facility, the second of two landfill cells was completed. Further waste processing equipment, including the tire debeader, shredder, drum crusher and weighbridge, was delivered to complete the processing facility. Commissioning of the high-temperature incinerator also commenced.

Contractors continue to find new ways to reuse materials and minimize waste disposal. This quarter, the Drilling organization commissioned a cutting processing unit to remove residual drilling fluid from drill cuttings prior to their disposal at the Hides Waste Management Facility.

Fluid recovered from the drill cuttings is reused to make new drilling fluid. Water used in the treatment process is also reused for worksite needs such as dust suppression.

As construction nears completion at Komo Airfield, the contractor is focusing on reinstatement activities, with almost 10 hectares of land reinstated by the end of the quarter. The Onshore Pipeline contractor is also reinforcing the importance of topsoil management and reinstatement through worker training and toolbox talks.



A reinstated section of the main onshore pipeline ROW

To control erosion in Hides, the Project has started using a combination of traditional and modern erosion and sediment control measures. Methods including hay bales, jute matting, silt traps and 'huli' style fence barriers are achieving up to a 90 percent reduction in sediment entering waterways in the area.

Stakeholder and community engagement

During the first quarter, the Socioeconomic team conducted 126 formal engagements across 36 communities along with 79 informal engagements in 28 communities.

~1,000 formal engagements conducted to date

The Project continues to focus on building and strengthening community relationships by addressing and closing grievances in a timely manner. This is achieved through maintaining alignment with the Socioeconomic field teams, ongoing grievance management process training, and the effective registration and categorization of grievances. By the end of the first quarter, 103 grievances were closed as a result of the Project's grievance management efforts.

The Project also continues to engage closely with all levels of government. This quarter, over 80 dignitaries attended six advocacy workshops held for Foreign Missions and Papua New Guinean Government officials at the LNG Plant site. In addition, the Project committed to provide more funding to Papua New Guinea's Department of Works for further repairs and maintenance to sections of the Highlands Highway between Lae and Hides.

As the Project moves closer to the production phase, it recognizes the importance of fostering long-term collaborative relationships with stakeholders. It is these relationships that will not only drive the ongoing success of the Project itself but, more importantly, will deliver outcomes that showcase Papua New Guinea's ability to become a strategic global player in sustainable growth balancing economic development with conservation best practice.



Toea during a visit to the Waru Primary School





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