

Esso Highlands Limited



Papua New Guinea LNG Project

**HQ1-3 RAP ADDENDUM Number 4:
Sidecasting Additions**

PGHU-EH-SPZZZ-410008

CONTENTS

EXECUTIVE SUMMARY	3
1.0 INTRODUCTION.....	5
1.1 Resettlement Goal.....	7
1.2 Institutional, Legal Framework and Sources of Information.....	7
1.3 Site Selection and Avoiding/Minimizing Resettlement.....	7
2.0 SOCIAL, ECONOMIC AND CULTURAL ENVIRONMENT.....	8
2.1 Population and Clans.....	8
2.2 Land Use.....	8
2.3 Cultural Heritage Sites.....	8
2.4 Vulnerable Households.....	8
3.0 CONSULTATION AND DISCLOSURE	9
3.1 Overview of Consultation and Disclosure.....	9
4.0 PROJECT IMPACTS.....	9
4.1 Introduction.....	9
4.2 Cumulative Impacts	9
4.3 Closure and Rehabilitation.....	10
4.4 Eligibility and Entitlements	10
5.0 LIVELIHOOD RESTORATION PROGRAM.....	10
6.0 GRIEVANCE MANAGEMENT FRAMEWORK.....	10
7.0 ORGANIZATIONAL ROLES AND RESPONSIBILITIES	10
8.0 MONITORING AND EVALUATION	10
9.0 CRP IMPLEMENTATION SCHEDULE	10
10.0 COST AND BUDGET ESTIMATE	11

FIGURES

Figure 1-1: Distribution of Sidecasting Areas	5
Figure 1-2: Sidecasting Areas	6
Figure 2-1: Distribution of Hides Clans.....	8

TABLES

Table 1-1: Additional Land-Take Area.....	6
Table 4-1: Summary of Impacts and Mitigation Measures.....	9
Table 9-1: Sidecasting Resettlement Implementation Schedule.....	11

ACRONYMS

Acronym	Definition
ANUE	Australian National University Enterprises
BPEA	Best Practices in External Affairs
BSA	Benefit Sharing Agreement
CCJV	Clough Curtain Brothers Joint Venture
CRP	Communal Resource Plan
EHL	Esso Highlands Limited
EIS	Environmental Impact Statement
ELC	Environmental Law Centre
ESMP	Environmental and Social Management Plan
FN	Family Number
FRV	Full Replacement Value
Ha	Hectares
HGCP	Hides Gas Conditioning Plant
HQR	Hides Quarry Road (to HQ1-3 quarries)
IFC	International Finance Corporation
ILG	Incorporated Land Group
IPCA	In-Principle Compensation Agreement
KP	Km point (Hides to landfall at Omati)
Lanco	Landowner Company
LBBSA	Licence-Based Benefit Sharing Agreement
LLG	Local Level Government
LNG	Liquefied Natural Gas
LR	Livelihood Restoration
M&E	Monitoring and Evaluation
O&GA	Oil and Gas Act
OIMS	Operations Integrity Management System
OSL	Oil Search Limited
PDL	Petroleum Development License
PIA	Project Impacted Area
PNG	Papua New Guinea
PNG LNG	Papua New Guinea Liquefied Natural Gas Project
PPL	Petroleum Prospecting License
PS	Performance Standard
RAP	Resettlement Action Plan
RIT	Resettlement Implementation Team
ROW	Right of Way
RPF	Resettlement Policy Framework
RTC	Resettlement Team Coordinator
SHP	Southern Highlands Province
SIA	Social Impact Assessment
SMLI	Social Mapping and Landowner Identification
UBSA	Umbrella Benefits Sharing Agreement
VG	Papua New Guinea Valuer General

EXECUTIVE SUMMARY

Introduction

Esso Highlands Limited (Company) proposes to develop the Papua New Guinea Liquefied Natural Gas (PNG LNG) Project (Project) to commercialize gas reserves within the PNG Southern Highlands and Western Provinces.

This report is referred to as the Hides Sidecasting Addendum and is the fourth addendum to the Hides Quarry 1-3 RAP, i.e. Hides Quarry 1-3 Addendum No. 4. This Sidecasting Addendum focuses on economic displacement that has resulted from additional sidecasting and spoil areas from the construction of the quarry and wellpad access road. Whilst the report is retrospective it includes provision for additional affected areas between Wellpad B to KP 7.0 that are currently under construction.

The total area to be accessed is 24.4 ha and consists of two parts of the road, the first section between HGCP and the southern section of the quarries and the second between the northern section of the quarries and KP7.0. Sidecasting has occurred as a result of the nature of the soils and steepness of slopes.

Resettlement Goal

The Project's overall resettlement goal is to design and implement resettlement in a manner that improves, or at least restores, livelihoods and standards of living of physically and economically displaced persons. This Sidecasting Addendum is consistent with goals, principles, and processes described in the Project's October 2009 Resettlement Policy Framework (RPF).

The intervention on the Spoil Dump site involves economic resettlement only.

Institutional and Legal Framework

The resettlement process complies with legal requirements and criteria such as the following: those specified in the PNG Oil and Gas Act (O&GA); key PNG National Government institution guidelines; legislation governing both provincial and local governments; and the International Finance Corporation's (IFC) Performance Standards on Social and Environmental Sustainability.

Social, Economic and Cultural Environment

The Huli linguo-cultural group occupies the land within the Hides spoil dump area, as is the case for the general Hides and Komo catchment areas.

Consultation and Disclosure

Consultations and disclosures have been continuous along the HQR and Spine routes since November 2010.

Project Impacts

The list below summarizes the principal impacts likely to be experienced by affected spoil dump households:

- Loss of 24.4ha of forest and garden resources.
- The loss of individual trees and small, recently established gardens, by 20 individuals and clans.

All other impacts were limited: no vulnerable households were identified amongst the sidecasting affected households; no physical resettlement; no additional impact to water sources; no further disruption in social networks; no loss of community infrastructure, cultural heritage sites, businesses or employment.

Eligibility and Entitlements

Individual households subject to economic displacement due to loss of economic trees or gardens have received compensation. Clans will also be entitled to once off and rental payments for damage and deprivation, including loss of access to traditional hunting grounds. Compensation will be paid at full replacement value.

Livelihood Restoration Program

In addition to compensation payments, livelihood restoration programs will be implemented to improve, or at least restore, the livelihoods and standards of living of economically displaced persons. These programs include land-based as well as non-land based activities.

Grievance Management Framework

A Project Grievance Procedure has been implemented to receive, respond to, and address any grievances made to the Project.

Organizational Roles and Responsibilities

Overall responsibility for the planning, implementation, and monitoring of physical and economic displacement rests with the Land and Community Affairs Department of the Company.

Monitoring and Evaluation (M&E)

Monitoring and evaluation will provide information on whether clan and individual compensation, resettlement and development investments are providing positive benefits, and to indicate the need for corrective action that may be required to achieve Project resettlement goals.

Resettlement Implementation Schedule

A schedule of tasks has been developed to implement the major components of resettlement over the latter quarter of 2011 through to 2012.

Cost and Budget Estimate

The budget has been approved by the Company, and additional budget provision made for any contingencies. The cost of the Spoil Dump resettlement program is estimated at approximately US\$0.08 million..

1.0 INTRODUCTION

Esso Highlands Limited (Company) proposes to develop the Papua New Guinea Liquefied Natural Gas (PNG LNG) Project (Project) to commercialize gas reserves within the PNG Southern Highlands and Western Provinces.

This report is referred to as the Hides Sidcasting Addendum and is the fourth addendum to the Hides Quarry 1-3 RAP, i.e., Hides Quarry 1-3 Addendum No. 4. This Sidcasting Addendum focuses on economic displacement that has resulted from additional sidcasting and spoil areas from the construction of the quarry and wellpad access road. Whilst the report is retrospective it includes provision for additional affected areas between Wellpad B to KP 7.0 that are currently under construction. Sidcasting areas that may be affected from KP7.0 to the end of the wellpad road have been included in an earlier CRP – The Hides Spine & Access Road to Wellpads ‘C’ to ‘G’ Communal Resource Plan¹.

The sidcasting sites lie in the Southern Highlands Province of Papua New Guinea and mostly within PDL 1 area, with a small area in PDL 7 along the Hides quarry road section. Figure 1-1 illustrates the sidcasting areas in relation to the HQ1-3 road and Wellpad B area.

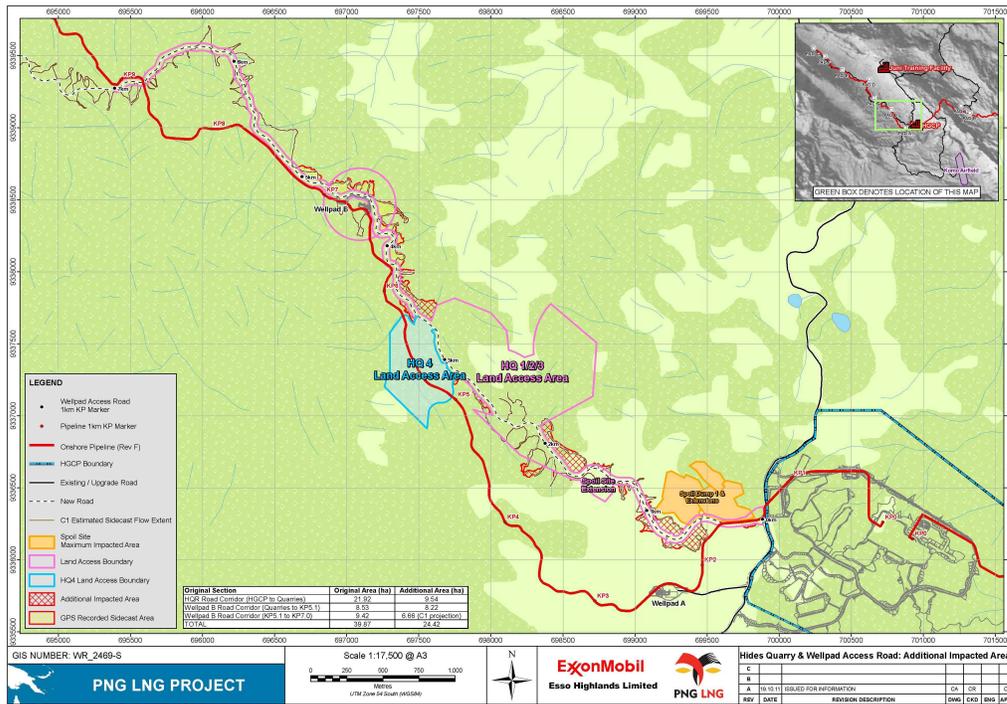


Figure 1-1: Distribution of Sidcasting Areas

¹ August 2011

The Project will work within the sidecasting areas described in Table 1-1 above. However, should unexpected sidecasting or spoil dumping arise then the Project undertakes to survey those areas within 30 days² and to calculate additional clan payments, as per the Clan Agency Agreement rates. Deprivation payments will be made within 30 days of the survey and payments for damage and annual rental will be included with subsequent scheduled payments. Payment receipts will be attached as addenda to each Clan Agency Agreement.

1.1 Resettlement Goal

The Project's overall resettlement goal is to design and implement resettlement in a manner that improves, or at least restores, livelihoods and standards of living of physically and economically displaced persons. This Sidecasting Addendum report is consistent with goals, principles, and processes described in the Project's October 2009 Resettlement Policy Framework (RPF).

1.2 Institutional, Legal Framework and Sources of Information

The resettlement process complies with legal requirements and criteria detailed in the HQ1-3 RAP and addenda, and draws on the same set of information sources.

This Sidecasting Addendum report is compliant with the Lenders Environmental and Social Requirements.

1.3 Site Selection and Avoiding/Minimizing Resettlement

Construction of the access road resulted in more sidecasting and spoil within the 50 m ROW corridor than was first anticipated owing both to the nature of the soils and steepness of slope. Adequate provision, in terms of land area and resultant compensation, has been made for sidecasting impacts for the remainder of the road, but the Project will continue to reduce sidecasting where feasible.

² Timing is dependent on normal operating and climatic conditions.

2.0 SOCIAL, ECONOMIC AND CULTURAL ENVIRONMENT

2.1 Population and Clans

Details of clans that occupy this area are provided in the HQ1-3, RAP and Addenda 1 to 3, together with their cultural, demographic and economic characteristics. The main affected clans are Kela and Hagu in the area closest to HGCP, Warabia near the HQ1-3 quarries and Tamea Clan in the Wellpad B area, as illustrated in Figure 2-1. No physical resettlement has arisen as a result of the sidcasting generated to date.

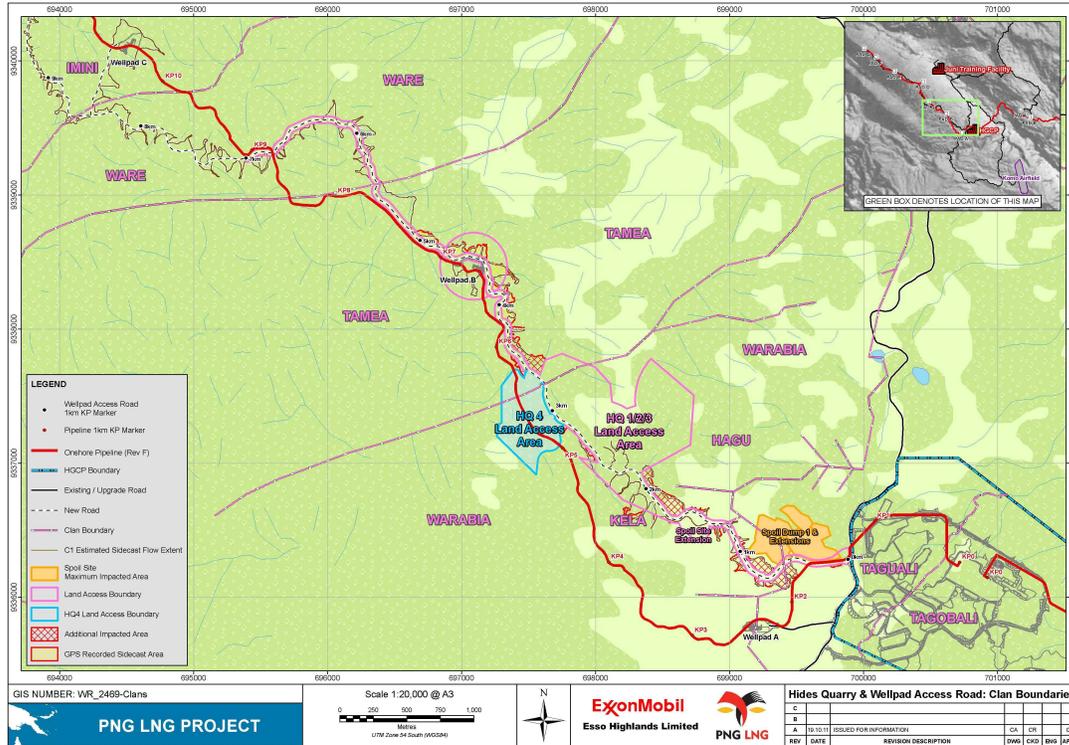


Figure 2-1: Distribution of Hides Clans

2.2 Land Use

The affected land area of 24.4 ha consisted mainly of natural forests with some individual tree ownership (mainly karuka nut trees). A total of 20 individuals received compensation payments with a median payment of less than K450. The project has committed to applying FRV rates for all gardens and trees so top-up payments will be made where necessary.

2.3 Cultural Heritage Sites

No cultural heritage sites were affected.

2.4 Vulnerable Households

No vulnerable households were identified by L&CA during the assessment of garden owners. However, should any vulnerable cases arise, the Project will assist elderly, young, landless, infirm and disabled people affected by involuntary resettlement to appropriately meet their needs during physical relocation and reestablishment of their houses and gardens.

3.0 CONSULTATION AND DISCLOSURE

3.1 Overview of Consultation and Disclosure

Overall consultation was undertaken for the HQ1-3, Wellpad B, HQ4 and Spoil Dump 1 interventions. This included verbal information supported by various materials concerning the resettlement process such as the Resettlement Information Booklet, flipcharts and A0 vinyl sheets. Specific consultation was not undertaken for each sidecasting area as the road was constructed but L&CA immediately engaged any households where gardens were affected. Communication mediums included written letters, meetings, oral presentations, flip charts, booklets and flyers in English and Pidgin. A process of disclosure of documents is in place and will include public dissemination and distribution of this Sidecasting Addendum.

4.0 PROJECT IMPACTS

4.1 Introduction

Table 4-1 summarizes potential impacts and mitigation measures:

Table 4-1: Summary of Impacts and Mitigation Measures

Impact	Scale	Mitigation – Project Responses
Loss of access to land and natural resources (deprivation)	Approximately 24.4 ha	The Company will pay the Landowning clans and individuals compensation at FRV. Top-up payments will be made where necessary. In compliance with Section 118(2) of the Oil and Gas Act, at equivalent market rates. Three forms of payments will be made: Compensation for the use and enjoyment of the surface of the land (annual payment). This will be paid for the duration of the Project (20-30 years) Compensation for land surface damage and Compensation for initial damage to naturally-occurring bush, vegetation, birds, animals or fish
Loss of gardens, trees and crops	20 individuals were affected by sidecasting and spoiling.	Individual landowners were paid one-off damage compensation payments. Top-up payments will be made to FRV. A livelihood restoration program will be implemented to assist affected households with restoring or improving livelihoods.
Loss of water resources	No water resources were affected by sidecasting that were not already affected by the road construction	Three water collection structures, <i>haus wins</i> , have been constructed along the HQR. The Project is monitoring all water resources in the area so as to mitigate where necessary.
Disruption in social networks	None.	
Vulnerable	None	Special assistance will be provided, should these arise in future.
Impacts on business and employment	None	
Community services and facilities	None	
Cultural Sites	No cultural sites have been impacted.	
Influx of migrants	No further impacts	

4.2 Cumulative Impacts

The sidecasting impacts are relatively contained, consisting mainly of the loss of forest areas, and will not add significantly to the cumulative impacts already identified in other

project RAPs. Gardens are not normally cultivated above the quarries as the area becomes too wet and cold.

The robust livelihood restoration and M&E programs will monitor affected households. The Project will respond with further measures where any person or family suffers hardship or is worse off than was the case in the pre-resettlement phase.

4.3 Closure and Rehabilitation

The sidecasting areas will be re-vegetated and land rehabilitation programs will be implemented to return the land to its pre-project vegetative state where feasible.

4.4 Eligibility and Entitlements

The RPF provides a full schedule of eligibility criteria for compensation and entitlements that will be adopted for the Project. The full schedule of eligibility and entitlements is detailed in the HQ1-3 RAP.

5.0 LIVELIHOOD RESTORATION PROGRAM

A livelihoods restoration program will be implemented for families affected by sidecasting as detailed in the HQ1-3 RAP section 8.

6.0 GRIEVANCE MANAGEMENT FRAMEWORK

The resettlement process for landowners affected by sidecasting will consider grievances through the Grievance Procedure, which will apply across all Project activities as detailed in the HQ1-3 RAP. The Land and Community Affairs team has regularly informed the Hides community of the Grievance Procedure.

7.0 ORGANIZATIONAL ROLES AND RESPONSIBILITIES

The Company is responsible for overall resettlement planning, implementation, and monitoring as per the RPF. Resettlement is implemented by the Company's Land and Community Affairs Team. General organizational details are described in the HQ1-3 RAP, Section 10.

8.0 MONITORING AND EVALUATION

The Monitoring and Evaluation system (M&E) provides Project management, and directly affected persons, households and communities, with timely, concise, indicative information on whether compensation, resettlement and related development investments are on track and achieving Project goals.

Further principles of the monitoring process to be implemented can be obtained from the HQ1-3 RAP section 11. The following parameters will be monitored in the future: timely payment of clan compensation; works confined within agreed and defined works areas (future road beyond Wellpad B); unforeseen impacts of drainage changes or livelihood resources (beyond Wellpad B); complaints about project social or environmental performance; and timely and effective close-out of grievances.

9.0 CRP IMPLEMENTATION SCHEDULE

Table 9-1 below sets out an estimated timeframe of the tasks required in order to implement the sidecasting resettlement program:

Table 9-1: Sidecasting Resettlement Implementation Schedule

Activity or Task	Actions	2011			2012+
		O -	N	D	J+
Planning	Completion of Addendum	■	■	■	
Approvals	Internal Company approval of the Addendum			■	
	Addendum Submission to Lenders			■	
	Addendum Summary to community			■	
Land Issues	Confirm resettlement sites & any impacted water sources (provision)	■			
Confirm and finalise compensation agreements	Final identification of vulnerable households	■		■	
	Verify inventories of affected land and assets (incl. special valuations)	■			
	Finalize any entitlement contracts	■			
Compensation payments and resettlement	Cash payments to individuals	■			
	Resettlement, housing package, distribution materials or cash component/restitution (provision)	■			
Graves, spiritual & other cultural sites	Relocate / recover (provision)	■			
Livelihood Restoration	Provide livelihood restoration program to affected families		■	■	■
	Non-agric training and agribusiness programs				■
	Distribution of rations		■	■	■
Verification and monitoring	Design & implementation of monitoring and evaluation system (ending October 2013)		■		
	Local advocacy & compensation advisors	■	■	■	
	Internal monitoring		■	■	■
	External evaluation (including completion audit)				■

10.0 COST AND BUDGET ESTIMATE

Budget provision of US\$ 0.08 million is included for forest damage and deprivation costs to clans, as well as losses associated with individual gardens and trees.