

Esso Highlands Limited



Papua New Guinea LNG Project

**HQ1-3 RAP ADDENDUM NUMBER 1:
HIDES QUARRY ROAD - WELL PAD B**

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ACRONYMS

Acronym	Definition
ELC	Environmental Law Centre
FRV	Full Replacement Value
HGDC	Hides Gas Development Corporation
HQR	Hides Quarry Road
HQ1-3	Hides Quarries Sites 1, 2 and 3
IPCA	In-Principle Compensation Agreement
KP	Kilometer Point
Lanco	Landowner Company
LBBSA	License-Based Benefit Sharing Agreement
PDLs	Petroleum Development License
PNG LNG	Papua New Guinea Liquefied Natural Gas Project
RAP	Resettlement Action Plan
RIT	RAP Implementation Team
WPB	Well Pad B

1.0 INTRODUCTION

This Hides Quarry Road – Well Pad B (HQR-WPB) addendum, amends the Hides Quarries 1-3 Resettlement Action Plan (HQ1-3 RAP). The latter is incorporated herein by reference.

This addendum describes two households and speculative structures/plantings affected by PNG LNG construction in the Komo-Margarima District, Southern Highlands Province (SHP), Papua New Guinea. The Project is along the Hides Ridge, Spine Road (Figure 1-1), in a sparsely settled area considered unfavorable for Huli agriculture.

Project activities include:

- A 3 km access road between Hides Quarries 1-3 and access road KP 6, past Well Pad B (6.6 ha),
- A pipeline route north of Hides Quarries 1-3 to spine road KP 8 past Well Pad B (13.2 ha), and
- Well Pad B and surrounding buffer zone (17.1 ha).

Thirty-seven hectares of land is needed, 14.9 ha will be impacted long-term (10.4 ha for roads works, 3.4 ha for pipeline, and 1.1 ha for Well Pad B).

In January 2011, two gardens with garden houses were recorded during the census and survey. These two established households are considered eligible for compensation as agreed with the Environmental Law Centre (ELC):

- Household A, is considered eligible for a full physical resettlement package due to the comparatively large garden area impacted (1.0 ha).
- Household B is eligible for a garden house package.

Eight speculative structures were being built during the survey; the builders seeking compensation benefits. Land was being cleared by five of the households constructing these structures, and speculative coffee seedlings being densely planted. Seven more structures were built after the 15 January 2011 official cut-off date.

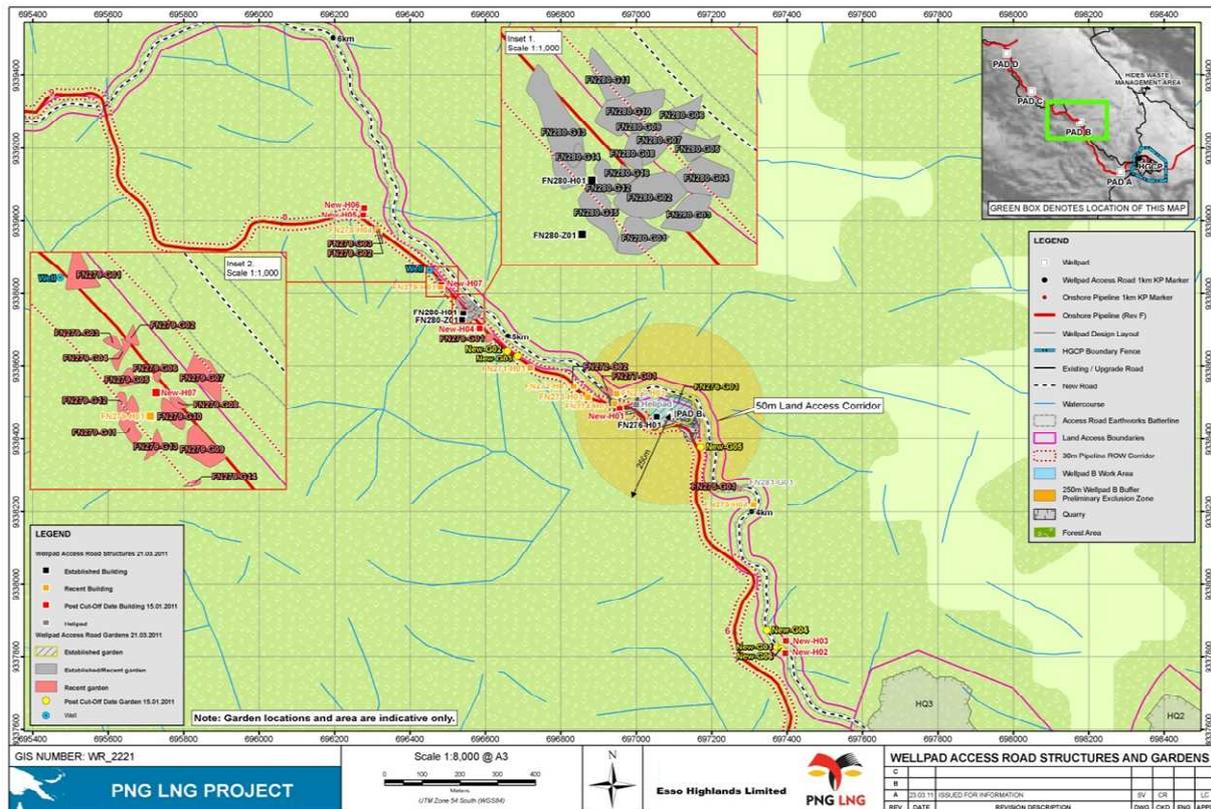


Figure 1-1: Overview of Affected Households (Houses & Gardens)

Resettlement Goal

The Project's overall resettlement goal is to design and implement resettlement in a manner that gives physically and economically displaced persons the opportunity to at least restore their livelihoods and standards of living. This addendum is consistent with goals, principles, and processes in the Project's Resettlement Policy Framework (October 2009).

1.1 Site Selection and Avoiding/Limiting Resettlement

The Project is located along the southern sections of the Hides Ridge where infrastructure has existed since 1989 to provide gas to power the Porgera Mine. Between 1992 and 1993 further gas drilling and discoveries occurred. At over 6,000 ft the area is unfavorable to Huli long-term occupation and intensive subsistence farming. Sites needed are mostly non-residential land. Physical resettlement is considered negligible.

1.2 Institutional and Legal Framework

The process will comply with legal requirements and criteria described in the HQ1-3 RAP.

2.0 SOCIO-ECONOMIC AND CULTURAL CONTEXT Occupation Background

Initial exploration and development of Hides precipitated a major land dispute between two Huli clans self-identified as Duguba and Hiwa.¹ Duguba is used by Huli to refer to people and clans who trace a provenance to non-Huli areas. Some Dugube migrated, settled and married Huli. Hiwa was a progenitorial Huli ancestor to whom many current Hides clans trace descent. The impacted area lies at the very periphery where these two groups of clans were traditionally resident, though each claims they were the first resident landowners.

In 1990, Duguba clans litigated in the lands court against Hiwa who were the incumbent Hides Gas Project landowners. Following various court cases and appeals, a compromise agreement was reached in July 1993 in which Hiwa clans ceded Dugube clans part of the royalty for the Hides Gas-to-Electricity project. The principal clans recorded for the Well Pad B area are the Mugago, Hugu, Tamea, Warabia and Tagua.

2.2 Historic Relationships

Members of clans owning land along the Spine live in many communities including Kulu, Juni, Pubua and Yaluba (which is outside PDL1). This reflects Hides area in-migration some eight generations ago from outlying areas such as the Tari, Fugua and Koroba valleys.

2.3 Demographics and Household Profile of Directly Affected Population

Baseline research included a census and assets register, socio-economic, and land-use surveys using geo-referencing to identify households, land ownership and usage patterns. Assessment of survey data suggests household membership was significantly inflated, thereby household demographics distorted.

The two affected households and speculators are all Tamea² clan members from the Liwago or Ambi sub-clans. Household B, reported 26 members. The additional household members claim ownership of many of the speculative coffee gardens planted in addition to the established household's mixed food garden.

Household A, reported 10 members. Seven reside at Lama Ekanda, three in Komo, Port Moresby and Halongoali. None resides permanently on site, although the head of household stays on-site house when tending the garden. The seven include the household head (aged 35), his wife (aged 30), and five children. The three boys and two girls are aged between one and 13. The eldest male attends school, although two others (male and female) are of school age. Both parents and the eldest child are literate. The household head has completed some vocational training. No household member is in paid employment.

2.4 Land Use

Land use and gardening practices are similar to those in the HQ1-3 RAP (Section 4.10). Household A had 0.99 ha of established gardens. Household B had 0.2 ha of gardens, including 17 sub-gardens characterized by food crops inter-planted with coffee seedlings. Speculative gardens varied from 0.01-0.08 ha, primarily filled with densely planted coffee seedlings.

¹ A detailed background to these groups is published in 'Talk never Dies' (Goldman 1983).

² This clan name may be rendered as Tamea or Damea.

3.0 CONSULTATION AND DISCLOSURE

Public consultations were conducted between December 2010 and March 2011 (Table 3-1) by the Resettlement Implementation Team (RIT) and the Environmental Law Centre. ELC accompanies RIT during group and household consultation sessions providing legal advice to both.

Table 3-1: Summary of HQR-WPB Consultation with Affected Households and Communities

Consultation Type	Date	Number of Meetings	Attendees per Meeting
Public Disclosure Events	December-March 2010	5	2-6
Resettlement Implementation Team	2 December 2010	2	Range 15-25
ELC Consultations	11 December 2010	1	58

A documents disclosure process is in place. It provides for public dissemination and distribution this document and agreements in Huli and Pidgin.

3.1 Consultation and Disclosure Events

3.1.1 Awareness of Proposed HQR-WPB Development

Immediately following the 2 December 2010 consultation meeting, HQR-WPB households were consulted to establish their awareness and understanding of the resettlement process. An initial explanation of the resettlement program and process was presented. The intention was to shortly follow-up with awareness sessions at larger public gatherings.

Consultation resumed in March 2011 following delays resulting from Hides area general work stoppages and WPAR area site-specific stoppages due to government payments.

Responding to open-ended survey Question 16: “What problems do you think relocation will present to you and your family?” some households reiterated December demands related to public services, roads and social infrastructure. Others expressed concern about possible environmental damage and lack of community development programs.

3.1.2 Regional Stakeholder Issues

Many Hides-Komo area ongoing issues have affected resettlement plans and initiatives (HQ1-3 RAP: Section 5.7.1). Those specific to this addendum, and including those raised at HQR-WPB Committee Meetings are:

- The ongoing payment delays of the promised LBSA business start-up seed-capital to Hides groups. Following disbursement of some funds, there were complaints about inequitable distribution. This has fuelled anti-government sentiment and landowners are leveraging Project co-operation on fulfillment of this promise.
- The visible lack of governance and Government presence is a further cause of frustration. People feel they have no avenue for venting issues or redress.
- Landowners around Well Pad B are in the PDL 1 license area. Well Pad A landowners are in PDL 7. Splitting of catchments with different shares in Project benefits has caused some dissatisfaction. PDL 1 landowners have submitted a K80.0 million demand to the Government for UBSA/LBSA agreements.

- Claims of inadequate compensation by Oil Search and BP for use of land and facilities in the

Question / Issue	Answer
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area.

- HQR-WPB people want some project to support the people as a condition of progress and cooperation. Suggestions ranged from business development to roads and hospitals.

Many concerns are long-standing issues related to lack of government presence. A recent visit by the Ministerial delegation to Hides has raised hopes of positive outcomes and government presence.

3.2 RIT Consultation Summary

Key issues are described in the stakeholder consultation log (Table 3-2).

Table 3-2: HQR-WPB Consultation Sheet

Question / Issue	Answer
The government and the Project must provide the following: 1. Kulupupa Road, 2. Tokia Topani Road 3. Kulu, Yalupa, Fugwa, loop road, 4. Belopa lite road 5. Fugwa Health Centre, 6 Laijako Aidpost, 7. Develop Wita Quarry.	Your issues are taken note of. This issue will need to be resolved by government.
Permanent Police station in the Project site due to increase in law and order.	You must understand that it is a government function and your issues are noted.
Project to develop the gas, while condensate is developed by Landowners.	That is a Project decision to process the condensate at the existing Central Process Facility at Kutubu based on economic factors, which the landowners do not have any say over.
We are not happy with the design and value of the houses built for the landowners and disappointing to see the canvas or temporary shelters given to the landowners.	We understand your issue and it will be dealt with within our Project team. (This will be dealt with by the RIT team during the negotiation process when housing options are described)
PDL 1 Landowners are not participant in the spin off business in the early works.	We understand your issue and it will be dealt with by our Business Development team.

<p>Landowners have to be advised on the type machinery and equipment needed in the activities along the pipeline.</p>	<p>We understand your issue and it will be dealt with within our Project team by our Business Development team.</p>
<p>Landowners must be advised on the type of equipment needed for any construction activities along the Spine. If the Project contractor decides to bring the machines themselves then we, the landowners will demand for 50 % profit sharing because landowners own the land.</p>	<p>We understand your issue and it will be dealt with within our Project team by our Business Development team.</p>
<p>A survey was done for a rig to be placed at Biangoli this was abandoned so if a rig will be placed along the Spine then it should be placed there.</p>	<p>That is a Project decision so your issues are noted.</p>
<p>We want the governmental officers such as the Environmental officer, Departments of Petroleum and Energy, Department of Lands officers, PNG LNG Gas coordination committee, Gas Office Officers to be stationed in the Project site.</p>	<p>We understand the issues that need to be raised with respective government officials. However, the Project cannot interfere into the affairs of the government but try to ensure that relevant government issues are addressed through our government interface team.</p>
<p>Survey has been done for Wita quarry. We want Wita quarry developed.</p>	<p>We can't make any promises at this stage but your issues are noted.</p>
<p>I would like 60% of students for Juni Training Center to be from PDL 1 only.</p>	<p>The Project will try to be fair to all the Project landowners. Recruitment will be done by the umbrella Lanco, HGDC.</p>

PROJECT IMPACTS

Potential impacts and mitigation measures are summarized in Table 0-1.

Table 0-1: Summary of Impacts and Mitigation Measures

Impact	Scale	Mitigation – Project Responses
Residential structures affected	No primary residential structures. Two households economically affected, one to be resettled due to extent of garden loss Eight households to receive minor compensation for speculative structures built during the surveys	Package reflects agreed cash and in-kind compensation provisions for affected landowners. Landowner acceptance evidenced and signed agreements with ELC. Speculative houses that were constructed prior to the 15 January cut-off date will receive minor compensation.
Loss of field & agricultural land	37 ha of forest and other land within the buffer and corridor areas for SpineLine, access road and Well Pad B 17 ha will be permanently destroyed	The Company will pay the Landowning clans compensation as determined in the IPCA for each hectare of land occupied or damaged by the Company for depriving the Landowner(s) of the use of the surface of the land, for cutting the Landowner(s) off from other parts of their land, and for any loss or restriction of rights of way, in compliance with Section 118(2) (a), (c) and (d) of the Oil and Gas Act. (Details in HQ1-3 RAP.)
Loss of trees and crops	1.42 ha of mixed garden and speculative coffee Eight households to receive compensation for gardens	Landowners are entitled to one-off damage compensation payments. Compensation at FRV is paid for crop losses and temporary rations are provided to assist with subsistence requirements until gardens are re-established. A livelihood restoration program will be implemented to assist affected households with restoring or improving livelihoods.
Disruption in social networks	Limited disruption as the majority of affected households will be moving small distances away from the HQR-WPB site	Most households will self-relocate either to areas in close proximity along the ridgeline or to their alternative residential locales in the valley. Social networks with respect to exchange relations will continue as these are based on kinship, descent, affinity and friendship ties not related per se to specific locales/areas.
Impacts on business and employment	None – there are no business ventures in this locale	Impacted business infrastructure will be compensated based on procedures developed during consultation with affected stores, should these arise. No loss of employment anticipated.
Community services and facilities	No community infrastructure will be impacted by the development	Households will remain where they presently reside.

Impact	Scale	Mitigation – Project Responses
Cultural Sites	16 sites will be impacted	<p>Compensation schedules for range of cultural heritage sites.</p> <p>Skeletal material to be handled by PNG National Museum. Appropriate rituals to be undertaken by local landowners and caretakers of sites.</p> <p>Sacred stones and artifacts to be relocated by people themselves. Other material to be lodged with National Museum and overseen by archaeologists as per mitigation measures outlined in the Pre-Construction Survey Report.</p>
Influx of migrants	Possible regional population increase and influx due to construction activities, improved services and employment opportunities	<p>The Hides ridgeline is unlikely to be an attractive locale for outsiders since it is too high for agriculture, cold and inhospitable.</p> <p>The Project is currently developing Project Induced In-Migration response plans using a community-based process.</p> <p>The outcomes of these activities will assist in developing an area specific plan for the Hides area. It is anticipated that these plans will be implemented by mid 2011.</p>
Impact on water sources	No direct impact on water sources is expected	The situation will be monitored during implementation and replacement water points provided should any be impacted, similar to those provided around the HGCP site.
Social Infrastructure	None	Relocatees will benefit from the region wide community infrastructure that will eventuate both from the Project discretionary programs and the Government commitments made in the LBBSA.
Vulnerable HHs	None, based on current surveys, as main housing locales in valleys	Households which are especially vulnerable to displacement impacts, e.g., the elderly, disabled or landless, will be identified and provided with special assistance, should these be identified during implementation.
Cumulative Impacts	Minimal	<p>Physical relocation for the HQR-WPB area is limited to one household.</p> <p>The incremental impact on total estimated resettlement is minimal.</p> <p>Tamea clans have land south-west and northeast of the Spine and all of the impacted residents have their primary residence elsewhere.</p>

4.0 COMPENSATION AND RESETTLEMENT STRATEGY

Households subject to economic displacement are eligible to receive damage and deprivation compensation as well as livelihood restoration. Eligibility criteria for all households affected in the HQR-WPB area were established in consultation with ELC:

- Household A, subject to physical displacement (loss of garden houses and garden of 0.99 ha³) is eligible to receive the same types of compensation for HQ1-3 - a relocatee assistance package of K41,000;
- Household B, subject to economic displacement due to loss of a garden house and minor gardens is eligible to receive a garden house package of K10,000, as well as compensation for crop losses;
- Eight households who built speculative houses, prior to the official cut-off date, will receive up to K1,250 for their building using the principle applied to the Komo access road settlers;
- Speculative structures and plantings made after the cut-off date are not eligible for compensation;
- Eligible crops and agricultural improvements will be compensated at full replacement value (FRV), taking into consideration the relative maturity of plants. The Project provides the services of a specialist Compensation and Business Advisor, who will advise and consult with affected people on money management, and potential business and investment opportunities; and
- Eligibility and entitlements relevant to the affected HQR-WPB community for statutory damage and deprivation compensation for land are the same as those described in detail in the HQ1-3 RAP (Section 7.2). Damage and deprivation payments will have regard for the customary classification of landowners with respect to their tenurial status and portfolio of land rights and responsibilities.

³ The area of 0.99 ha exceeds the maximum cut-off area of 0.2 ha that justifies resettlement based on economic loss.

5.0 LIVELIHOODS RESTORATION

The livelihoods restoration program in the Komo area is described in the HQ1-3 RAP (Section 8). This program includes HQR-WPB affected households.

6.0 GRIEVANCE MANAGEMENT FRAMEWORK

The objective of the Project Grievance Mechanism is to receive, respond, and address any grievances made to the Project as discussed in HQ1-3 RAP Section 9.

7.0 ORGANIZATIONAL ROLES AND RESPONSIBILITIES

Responsibility for HQR-WPB resettlement planning, implementation, and monitoring rests with the Company's Lands & Community Affairs Team. Adequate resources and effective management will be allocated to ensure it is developed and implemented with the participation of affected people/communities in a timely manner.

8.0 MONITORING AND EVALUATION

Monitoring and evaluation provides information on whether compensation, resettlement and development investments are providing positive inputs and if corrective action is required.

9.0 RESETTLEMENT IMPLEMENTATION SCHEDULE

Table 9-1 describes tasks required to implement this addendum.

Table 9-1: Implementation Schedule

Activity/Task	Action	2011						
		F	M	A	M	J	J	A+
Planning	Completion of RAP Addendum							
Approvals	Internal EHL approval of the RAP Addendum							
	Submission of Addendum to Lenders							
	Internal approval of detailed implementation work plan							
	RAP Addendum Summary to community							
	Ration & building material mobilization							
Confirm and finalize compensation agreements	Verify inventories of affected land and assets							
	Finalize entitlement contracts							
	Transit allowance, distribution tools & nets							
Compensation payments	Payments							
	Ration distribution							
	Housing package, distribution materials & advisors							
Relocate households	According to phases of construction							
Graves, spiritual & other cultural sites	Relocate / recover							
Livelihood restoration and development	Replacement of gardens							
	Non-agric training and agribusiness programs							
Verification and monitoring (thru March 2013)	Design/implementation of monitoring/evaluation system							
	Local advocacy and compensation advisors							
	Internal monitoring (to 2013)							
	External evaluation (including completion audit)							

10.0 COST AND BUDGET ESTIMATE

Table 10-1 summarizes costs to replace and compensate assets as defined in the housing and compensation agreements, community assets and mitigation programs to restore and improve livelihoods. It includes the one-off IPCA payments to clans, who also receive an annual rental payment of K700/ha.⁴ Costs will be in the order of US\$ 0.25 million.

Table 10-1: Resettlement Costs

Item	Total US\$ (million)
Asset and garden compensation ⁵	0.11
Livelihood and other assistance	0.03
Community development projects	0.02
Other	0.01
IPCA payments	0.08
Total	0.25

⁴ All IPCA payments will be reviewed to confirm equivalence to FRV.

⁵ Tree and garden crop compensation payments will reflect FRV.