



## Fourth Independent RAP Monitoring

**Sakhalin Energy Investment Company  
Limited**

## Final Report

December 2009

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Sakhalin Energy Investment Company Limited

## Fourth Independent RAP

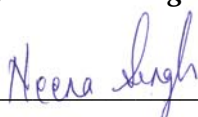
December 2009

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For and on behalf of ERM

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Date: *09 December 2009*

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The Sakhalin Energy Investment Company Limited (SEIC) was established in 1994 to develop the Piltun Astokhsk (PA) and Lunskeye (Lu) oil and gas fields in the sea of Okhotsk, off the north-eastern shores of Sakhalin Island, in the Russian Far East. As a result of the project, there were social impacts as well as resettlement of families, which led to the preparation of a Resettlement Action Plan. The RAP had been prepared in accordance with the World Bank Group's Operational Directive 4.30 on Involuntary Resettlement (OD 4.30).

A part of the commitment of the RAP was to engage an independent external resettlement specialist to undertake a semi-annual audits of the project related resettlement activities. ERM has been engaged as that independent consultant, and has since completed 3 independent semi-annual audits of the project. This is the fourth audit report for the period between January 09 and August 09.

## 1.1

### *A BRIEF PROJECT DESCRIPTION*

Sakhalin has a total area of 76,400 km<sup>2</sup>. A long narrow island, it stretches 948 km from north to south, with a maximum width of approximately 160 km and a minimum width of about 30 km. Layout of the Sakhalin II Project has been largely driven by:

- The location of SEIC's oil and gas fields off the northeast coast;
- The need to transport oil and gas from these fields to a year-round, ice-free export port in the south.

Oil and gas fields on the island are located primarily in the two northern-most districts of Okha and Nogliki. Onshore development and commercial production of these fields has a long history dating back to the early 1900s and has involved both Russia and Japan.

Oil from Sakhalin has historically been transported to the Russian mainland via a sub-sea line extending from Okha District to De Kastrì. Gas is also transported to the mainland where it is used for industrial and domestic purposes in the Russian Far East. The Sakhalin I Project oil pipeline follows this established route.

With the exceptions of the Offshore Platforms and Pipelines, the Sakhalin II Project is sited entirely on Sakhalin Island. The Project's oil and gas pipelines generally follow the island's existing north-south transportation corridor. The pipelines terminate at an LNG Plant / Oil Export Terminal site on the southern end of the island at Prigorodnoye, Korsakov District. The length of the on-shore route followed by the Sakhalin II pipelines is approximately 816 km.

### 1.1.1

#### *Project Components*

Sakhalin-II Phase 2 has offshore and onshore components. The principal offshore components include the following:

- A new oil and gas production and drilling platform (PA-B) in the Piltun-Astokhsk Field with separate sub-sea oil and gas export pipelines to a landfall at Piltun,
- A new gas and condensate/oil rim production and drilling platform at Lunskeye (LUN-A), and
- Export pipelines from the LUN-A platform to the Onshore Processing Facility together with a mono-ethylene-glycol (MEG) flow line and combined power and fibre optic cables.

The main onshore facilities for Phase 2 include:

- An Onshore Processing Facility close to Lunskeye Bay in eastern Nogliki District;
- Gastello Booster Station in Poronaysk District, Central Sakhalin;
- A Liquefied Natural Gas plant at Prigorodnoye, Korsakov District, in the south of Sakhalin;
- An Oil Export Terminal, also at Prigorodnoye;
- Pig trap stations at Piltun landfall and within facility sites at the Onshore Processing Facility, Gastello Booster Station and LNG/OET;
- Gas pipelines and compressor stations to convey gas from PA-A, PA-B and the Onshore Processing Facility to the LNG plant at Prigorodnoye, and onwards to the Offshore Export Terminal;
- Oil pipelines and booster stations to transport oil from the platforms and the Onshore Processing Facility to the Oil Export Terminal at Prigorodnoye, and from there to an offshore Tanker Loading Unit to be located in Aniva Bay; and
- Supporting power, fibre-optic and telecommunications infrastructure.

In addition to these elements of the Project, a substantial Infrastructure Upgrade Project (IUP) has taken place, which has upgraded roads, bridges, railways, ports and an airport hospitals and landfills to support logistical activities for Project construction and operations. Much of this work has been carried out in partnership with local authorities.

### 1.2

#### *OBJECTIVE OF THE EXTERNAL MONITORING*

The specific objective of the RAP, as outlined in the RAP includes:

- To assess overall compliance with the RAP and World Bank OD 4.30;
- To verify that measures to restore or enhance project affected people's standard of living and livelihood are being implemented and to assess their effectiveness;
- To assess the extent to which livelihood restoration has been achieved and to advise when Project livelihood restoration is effectively complete; and

- To recommend any corrective actions necessary to achieve compliance with the RAP and OD 4.30, or to improve RAP implementation.

### 1.3 *APPROACH AND METHODOLOGY*

This fourth external RAP Monitoring was conducted between the 19<sup>th</sup> and 26<sup>th</sup> of August 2009. The following tasks were undertaken:

- Review of project related documents that were relevant for the monitoring, including various progress and monitoring reports;
- Review of the new grievances that were registered since the last monitoring visit and of action taken against those complaints;
- Detailed discussions with the SEIC team, including the Social Assessment Group, the External Affairs team, the Approvals team, the Legal team, the CLO- LNG team, the SIMDP team, and people responsible for engagement with specific groups like dachas;
- Consultation with some complainants who had registered grievances;
- Discussions with Member of the City Council, Korsakov
- Consultations with Head of Communities of Gastello and Troitskoye;
- Meeting with NGOs Knowledge is Power and Sakhalin Energy Watch;
- Discussions with representatives of dacha community located near LNG/OET ('Stroitel').

Issues discussed in the third monitoring report have been briefly reviewed wherever necessary, but not repeated in detail. In case those issues need to be referred to, please look up the first, second and third monitoring report in the SEIC website <http://www.sakhalinenergy.com/>.

### 1.4 *LIMITATIONS*

This report is based on review of secondary documents made available to the consultant, limited field assessment and select consultations with key stakeholders by the External Monitor. Media reports and information available in public domain (to the extent possible) have also been studied and analysed for the purpose of this reporting.

Professional judgements expressed herein are based on facts and information provided. Wherever ERM has not been able to make a judgement or assess any process, it has highlighted that as an information gap and suggested a way forward.

#### 1.4.1 *Use of this Report*

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## **1.5** *LAYOUT OF THE REPORT*

*Section 1* (This section): Introduction, project description and objectives of the RAP monitoring.

*Section 2:* Status of RAP Implementation and comments on the progress.

*Annex A:* Monitoring Schedule.

The project has been undertaking compensation and resettlement/rehabilitation activities since 2002. These activities were carried out within the framework of an international standard Social Impact Assessment and Supplemental Assistance Programme developed in 2002. The Resettlement Action Plan as a document was formally adopted in November 2005. This section highlights the progress in the process of compensation, resettlement and rehabilitation in the project between January 2009 and August 09, as committed in the RAP.

Key findings and compliance against the RAP commitments and discussion on specific issues have been provided in Section 3.

## **2.1** *PROGRESS IN LAND ACQUISITION*

### **2.1.1** *Land requirement*

At the onset the Sakhalin-II project Phase 2 was expected to acquire rights of 4,340 ha of land for a 3-year period to construct the natural gas and crude oil production infrastructure. In addition about 275 ha of land was required for a period of six-months to five years for temporary construction facilities. This project also required 273 ha of land for permanent facilities.

All land required for the project, both on temporary and permanent basis, has been taken by SEIC.

### **2.1.2** *Current status*

Additional land has been taken on short term and long term lease from the Municipal entities (being at the disposal of municipal entities) or the Forest Department (land in federal ownership) respectively. These are required for components like access roads and for laying down cables etc. Currently the lease and transfer process is underway. SEIC has ensured access to the oil and gas pipelines and each of the block valve stations and in August 2009 Rostekhnadzor (Federal Technical Supervisory Authority) inspected the pipelines and access roads for compliance to design documentation. Conclusion of the final inspection is awaited.

The current status of land taken on lease for various purposes is shown in the following table:



**Table 2.1**      **Total Land on Lease with SEIC (20<sup>th</sup> August 2009)**

| Component   | Area of land leased (ha)   |
|---|--|
| Pipeline and FOC<br>(Pipelines, BVS, CPS, pig launchers/receivers, access roads, soil storages, monitoring pits, helipads, etc) | 4025 <ul style="list-style-type: none"> <li>• 1238 ha Lands at the disposal of municipal entities</li> <li>• 2787 ha Lands in the federal ownership</li> </ul>   |
| Other large assets<br>(LNG-OET, OPF, BS2 etc)   | 605 <ul style="list-style-type: none"> <li>• 420 ha – for LGN/OET Lands at the disposal of municipal entities;</li> <li>• 20 ha –for Prigorodnoye Port Lands at the disposal of municipal entities</li> <li>• 134 ha – for OPF (64 ha- Lands at the disposal of municipal entities, 70 ha- Lands in the federal ownership) ;</li> <li>• 31 ha – for BS2- Lands in the federal ownership</li> </ul> |
| PMD   | 44   |
| Accommodation and Offices   | 59 <ul style="list-style-type: none"> <li>• 54 ha in Yuzhno Lands at the disposal of municipal entities</li> <li>• 5 ha in Korsakov Lands at the disposal of municipal entities</li> </ul>   |
| Other Facilities<br>(small facilities, FOC branches, water wells, Camps, etc.)  | 29   |
| <b>TOTAL</b>  | <b>4762</b>  |

Source: Central Approvals Team  
FOC: Fibre Optic Cable  
BVS: Block Valve Station  
CP: Cathodic Protection  
BS2: Booster Station 2  
PMD: Pipeline Maintenance Depot

## 2.2      **NUMBER OF HOUSEHOLDS AND ENTERPRISES IMPACTED BY THE PROJECT ACTIVITIES**

The RAP states that about 125 households (432 individuals) were impacted by the project, of which 117 households will face only short-term or temporary impacts during the pipelines construction phase. In addition to households, there were 66 enterprises that were impacted.

10 households (including 2 farms) and 13 enterprises have been permanently impacted and resettled to make way for permanent above ground facilities or sanitary Protection Zones and Safety Exclusion Zone.

### 2.2.1      **Current status**

The total number of project affected households and persons have reportedly not changed from the numbers provided in the RAP. The additional land

being taken for access roads are not private land, hence no families are expected to be impacted. It is also reported that none of the Federal lands or lands at the disposal of Municipal entities that are being taken on lease have any issue of private use for any purpose, hence there would be no social impacts on the lease of such lands.

## 2.3 *RESETTLEMENT*

Of the 10 households that were resettled:

- 3 permanent households were moved from the LNG terminal;
- 2 farms were moved, 1 from the LNG/OET site and 1 from the Sanitary Protection Zone of LNG/OET;
- 1 household moved from the pipeline Safety Zone;
- 4 summer dachas users, 2 from LNG/OET site and 2 from pipeline construction site.

### 2.3.1 *Current status*

Resettlement of all families had been completed, with a majority of them being resettled between 2003 and 2005. The last resettlement was completed in December 2007, and the legal formalities of transfer of land and house titles to the family were completed in August 2008. This was the family displaced from the Safety Zone of the pipeline.

SEIC is currently in the process of completing all the commitments made to the last family, including minor construction works and provision of fertilizer for the family's kitchen garden. The family reported satisfaction with the completion of all commitments and of the support provided by the company through the resettlement process.

With the completion of resettlement of this last family, all the physical resettlements as a result of the project, as identified in the RAP, have been completed.

## 2.4 *PAYMENT OF COMPENSATION AND SUPPLEMENTAL ASSISTANCE*

### 2.4.1 *Affected Land Users*

The Approvals team reports that all affected households have been paid full compensation due to them along with the additional Supplemental Assistance (SA) wherever required. This had been confirmed from the household level discussions the consultant had. Wherever additional supplemental assistance was provided, an agreement was signed with details on the amount of land required, the purpose for which it was being taken, and the method to calculate the SA. Compensation has been paid for:

- Land plot withdrawal for project needs, for temporary and/or permanent purposes;

- Renewal of land user agreements for the project;
- Socio-economic impacts from project activities; and
- Grievances and complaints on specific damages.

#### *Current Status*

Since January 2009, SEIC paid compensation under Supplemental Assistance to 3 dacha owners, whose unregistered potato land plots were impacted by the access road construction. SEIC reportedly paid compensation for the full plot even though only part of the parcel was impacted. The compensation process has been since completed.

No other compensation was required to be paid by the company in this period.

### **2.4.2 *Fishing enterprises***

3 Fishing enterprise operating where the LNG plant is currently located, have been impacted. These are Lenbock, Calypso and Contract. Full compensation has been paid to all enterprises based on several rounds of negotiations.

Compensation was paid for:

- Loss of income, justified and based on the value of the catch averaged over a period of time;
- Cost of removal and relocation of fishing equipment;
- Assistance and compensation for applying for new fishing licence issued by the relevant state agencies; and
- Tax

Of the three, Lenbock has moved operations to another location, Calypso continues operation at their original location with two nets, and Contract continues operation with one net.

#### *Current status*

All the three companies continue with their fishing activity, though at a smaller scale than before. Channels of communication have been established between SEIC and the companies on shipping routes and location of nets. In general the fishing enterprises report that the volume of fish production has declined over the years. However in the fishing season of 2009, it is reported that the salmon quantities have been unprecedented as compared to the last many years, and that this has been a very profitable year for the fishing enterprises and the fishermen.

### **2.4.3 *Other enterprises***

There were 16 agricultural enterprises, 9 forestries and 11 other enterprises. All the enterprises have reportedly been fully compensated. 4 agriculture enterprises have been additionally compensated in 2008 because of the delay

in restoration of land and handing them back to the enterprises. The lease agreements in such cases have been extended. No additional compensation was required to be paid to this group in 2009.

#### **2.4.4**      *Prigorodnoye Beach*

The construction of the LNG/OET facility required the withdrawal and closure of a part of the Prigorodnoye beach, which has been a popular recreational spot for the local residents of Korsakov and nearby areas. The people continue to use the remaining part of the beach for recreation (bathing and fishing). SEIC had agreed to pay a compensation of \$800,000 to the Korsakov administration to support the development of a local park in lieu of the impacts on Prigorodnoye beach. This alternate was chosen after a series of consultations and negotiations with the Korsakov administration as well as the community of Korsakov. An Initiative Group was formed to discuss and reach a decision on the alternatives. The agreement that was reached in 2003 included:

- Infrastructure;
- Administrative building;
- Utilities;
- Paved roads and sites for attractions;
- Toilets;
- Fencing and a rotunda at the main entrance; and
- Transformer substation.

#### *Current status*

Sakhalin Energy has fulfilled its obligations. The park upgrade process has been performed as committed in the RAP. Due to the change in the Rouble-USD exchange rate, the \$800,000 was revaluated by Sakhalin Energy's own initiative at approximately \$ 930,000 in December 2007, which has been welcomed by the local government as well as the citizens. Facility is a municipal property and all works were controlled by Korsakov Administration. Though there are still queries on the upgrade works, those queries are now directed to Korsakov Administration instead of SEIC, and it is they who need to provide responses. Korsakov District Assembly (Council consisting of elected deputies) requested the Company for the information regarding park upgrade. SEIC has submitted a detailed letter to the Assembly explaining the works done and the detailed expenditure breakup.

#### **2.4.5**      *Prigorodnoye Dacha community*

In addition to the landowners directly impacted by the LNG and pipeline who have already been compensated and/or resettled, there are about 71 Prigorodnoye beach area dachas, with approximately 230 members, that had concerns about being impacted by the project activities. The dacha residents belong to the Stroitel community.

In 2005, there was an agreement with the Dacha Executive Committee to do the following:

- Evaluate the loss of value of land and crops and compensate losses;
- Give an option of voluntary “waiver of rights” which would allow the dacha owners to give up claims over the property in turn for getting compensated by SEIC for residual market value of their property. The understanding was that after waiver, the dacha owner would not be able to lay claims on any other compensation, even if the SPZ is increased in future for any reason;
- Provide a targeted social investment programme; and
- Develop a mitigation package.

As a result of the above a targeted compensation programme was developed and implemented for the dacha owners/users of Stroitel cooperative even though they have no legal right for compensation under the RF Law.

#### *Current Status*

As reported in the third monitoring report, all the 71 Dacha owners have made their choices on the basis of the 2005 agreement, and have been duly compensated by May 2008. Of those, 28 agreed to take the compensation for loss of value as well as for waiver of rights, while 71 opted to take only the compensation of loss in value. Of the remaining 2 dacha owners, one showed no interest in progressing compensation, and 1 dacha owner died prior SEIC engagement with the community. No nominee has been identified till date.

#### **Quality of Life Monitoring**

The issues of dust (air pollution) and noise have been issues of concern to the dacha owners. SEIC, in consultation with the Dacha owners, agreed to develop Quality of Life indicators, which included air and noise monitoring.

Licensed Contractors undertake air and noise monitoring in the presence of the dacha cooperative representatives, during the dacha season. The monitoring results in 2009, as in the previous year, do not show any of the monitoring parameters exceeding permissible limits. During the previous monitoring visits the Dacha owners had made the following complaint to the External Monitor:

- The location of the monitoring stations could be biased and may not capture some emissions;
- The timing of the monitoring was such that it was not held during start up activities, when the LNG flare is high, which means the data is biased.

In response, SEIC increased the number of monitoring locations to take in locations suggest by the dacha community. It also conducted additional monitoring in the same month (example in June 2009, two monitoring rounds were undertaken) to capture emissions during certain start-up activities accompanied by increased flaring. The monitoring results however have

shown no major differences, with emissions still within the permissible limits. The table below captures the monitoring results in June 2009 as an example.

**Table 2.2** *Ambient Air Monitoring Results, June 2009 (Location Stroitel-1)*

| Identified Substance | Unit of measurement | Maximum Permissible concentration | Results on 17.06.09   | Results on 22.06.09 (Decommissioning) |
|----------------------|---------------------|-----------------------------------|-----------------------|---------------------------------------|
| Sulphur Dioxide      | Mg/m <sup>3</sup>   | 0.5000                            | 0.0230                | <0.010                                |
| Carbon Monoxide      | Mg/m <sup>3</sup>   | 5.000                             | 1.400                 | 1.400                                 |
| Nitrogen Dioxide     | Mg/m <sup>3</sup>   | 0.200                             | <0.020                | 0.023                                 |
| Soot                 | Mg/m <sup>3</sup>   | 0.150                             | <0.025                | <0.025                                |
| Formaldehydes        | Mg/m <sup>3</sup>   | 0.035                             | <0.010                | <0.010                                |
| Benzopyrene          | Mg/m <sup>3</sup>   | 1.0*10 <sup>-6</sup>              | <0.2*10 <sup>-6</sup> | <0.2*10 <sup>-6</sup>                 |
| Hydrocarbons         | Mg/m <sup>3</sup>   | 1.000                             | <0.100                | <0.100                                |

*Results of Monitoring conducted by Sakhalin Hydrometeorological Agency (INPO Sakhalin Meteoaency), an Independent Licensed Organisation.*

The dacha cooperative has initiated their own monitoring of air quality, soil and snow samples by labs they did not disclose the credentials of, but claimed that they certified agencies. At the time of this monitoring, they were waiting for the results analysis. If those results showed a different results from that conducted by the company, the cooperative plans to go to court to challenge the monitoring of the company and seek resettlement from that site.

### **Crop quality assessment**

The dacha owners had raised concerns about presence of arsenic in soil in 2006 and attributed it to the LNG construction and flaring activity. In response to that, SEIC had agreed to undertake an additional soil survey in 2007 to check the arsenic level and reason for their presence. The independent study concluded that the arsenium concentration in the land parcels posed are within permissible limits and no risk of possible accumulation in the area, and could not be attributed to the LNG activity. The Dacha owners however continue to express concerns about the impacts on their fruit trees and crops.

### **Access to Public Transport**

SEIC had committed to providing a transport service to the dacha owners from Korsakov to Prigorodnoye during the construction phase as a part of mitigation measures identified during the QLI monitoring. The bus service was made available for two years three times a week during dacha season, after which it was discontinued for various reasons discussed in the previous monitoring reports. The bus service was started again between September and October 2008, and has been since stopped after the completion of the construction phase, as committed in the RAP. The dacha owners continue to request for the continuation of the bus service. SEIC however responds that that post demobilization of the construction workforce, there is now less pressure on public transport to the LNG site/dachas which the dacha owners can use.



#### 2.4.6

#### *Road upgradation in Prigorodnoye.*

For the PP operation, SEIC planned to improve the access road passing near the Dacha community. According to the principles of the RAP, a relevant and targeted social assessment was carried out for this road prior to construction in August 2007. The aim was to describe the current situation and use of the road, and try and address the concerns of the Dacha owners and potential impacts to the community.

The dacha owners/users have been using this road for their light vehicles during the dacha season and were concerned that the development of the road, and movement of heavier traffic will further disrupt their lives as well create noise and dust pollution. These concerns and outcomes of the social assessment study have been discussed in the second and third monitoring report.

#### *Current Status*

Sakhalin Energy upgraded the road to the pipeline valves running adjacent to Stroitel cooperative. Under request of dacha owners and in order to minimize impact on the cooperative during construction the original road route was changed and the section of the road was re-routed further from the dacha plots. The existing road used by dacha owners only was also upgraded (backfilled, levelled, drainage arranged) per their request. The Social Impact Assessment identified 3 dacha owners, whose unregistered potato plots would be impacted by the road update due to re-routing. A compensation package was agreed in consultation with the impacted dacha owners, and it has been since paid. The External Monitor met with one of the 3 impacted dacha owners and she expressed satisfaction with the process and with the compensation provided.

As a goodwill gesture, the contractor repaired some water holes of the community, used to store water for irrigation as well as did some repairs of the internal roads. The contractor also ensured that the water pipes impacted by the road, were replaced once the road upgradation was complete. The LNG-EA team ensured that the contractor workforce building the road was sensitised about the dacha community and adhered to rules laid down by the team. These included:

- Not disturbing the community;
- Avoiding use of their roads;
- Ensuring that garbage was left only in designated places, and within the construction areas;
- Good behaviour;
- Avoiding feeding stray and wild animals (as the dachas have started complaining about animals entering their community in the recent past); and
- Ensuring that their activities do not increase the risks of forest fires.

No grievances or complaints have been registered by the dacha owners over the road upgradation and presence of contractors.

#### **2.4.7 Reindeer Herders and Indigenous Communities**

According to the RAP, the project would impact 5 Reindeer Herder families or 18 individuals, belonging to the Uilta and Evenk communities residing in Val (Nogliki District). The impacts were temporary and have been primarily due to the pipeline passing over their grazing areas. According to Russian legislation SEIC transferred compensation to Nogliki Administration with an understanding that it would, in consultation with the herder families, use that money for addressing herders' needs and improvement of infrastructure in Val where herders families live. SEIC has also committed to a separate Sakhalin Indigenous Minorities Development Plan (SIMDP) to address specific issues facing all Sakhalin Indigenous people (including the herder community) and implements required measures.

##### *Current status*

In the current year there was no compensation paid to the reindeer herders or were there any complaints or claims received from the community in this period. No indigenous land was impacted by the project this year. The SIMDP continues to address issues related to indigenous peoples and their development. The Company continues provide support to reindeer herders as required and agreed (assistance with their staff transportation, fuel granting, etc.). Regular consultations are conducted with them to update on Project activities and SIMPD progress, etc.

SEIC had regular consultations with herders through herder workshops during construction period. A number of support activities have been undertaken, as agreed during such quarterly workshops. Some of these include:

- Repair of community gas pipelines (as part of compensation transferred to Nogliki Administration);
- 3 snow mobiles (as part of compensation transferred to Nogliki Administration);
- Financial support of construction of special fencing for deer (in Russian called koral');
- Provision of fuel for herders;
- Provision of compound animal feedstuff for deer; and
- Provision of hunting weapons (as part of compensation transferred to Nogliki Administration).

Some of the initiatives taken by SEIC are directly aimed at the 5 impacted herders and their families, while others are for the community as a whole (Val settlement where herders families live).

In addition herders and their families get benefits as part of SIMDP implementation. In particular they benefit from health, educational, cultural related programmes, traditional economic activities support projects and etc.

Within the SIMDP process, to make process more effective, it is discussed that Indigenous People have to form non-profit organisations to avail of the SIMDP funds under different categories (see details under the SIMDP). The 5 herder families, identified as impacted families under the RAP, are also in the process of registering themselves as an NPO to avail of these funds.

## 2.5 *OTHER COMMITMENTS*

### 2.5.1 *Fishing and ancillary industries*

In addition to the 3 commercial fishing enterprises directly impacted by the project and duly compensated, the RAP indicated that there due to restriction on movement of fishing vehicles around the project off-shore facilities, the fishing activity, potentially impacting the fishing business in general, and the ancillary industries associated with these industries, including its employees.

SEIC had committed opening a regular communication channel at least twice a year. SEIC also proposed to monitor impacts on this sector. In case there were losses that would need to be compensated, SEIC would follow the principles outlined in the entitlement framework to compensate. Currently, the active construction phase of the Sakhalin II Project is finished, so the need in ongoing communication channel has reduced. The Company has not recently received any requests from the Fishermen's Association or representatives of the fishing community. Sakhalin Energy is now considering replacing ongoing communication channel with retroactive responses to fishermen's requests.

#### *Current status*

A socio-economic impact assessment of fishing enterprises and ancillary industries was undertaken in 2005-2006<sup>1</sup>. As committed, a person has been designated as the fishing enterprise interface from SEIC's side to ensure regular communication with this stakeholder group. There have been no demands for more compensation by this group till today as reported by the internal monitoring process. This monitoring round did not cover the fishing enterprise specifically, though an update was sought from the Social Performance Team.

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(1) <sup>1</sup> State Institution Regional Center for Coastal Fishing and Fish Finding carried out the survey "Socio-economic impact assessment of Sakhalin II project related works on the enterprises of fishing industry and ancillary industries".

### *Additional measures emerging from recommendations of the previous independent monitoring report*

The first monitoring report had recommended a number of measures to strengthen the implementation of the RAP as well as address specific issues emerging out of the monitoring review. These included analysing the land registration issue, and identifying families that may need support in land registration. The other measure was to focus on vulnerable families and assess if they needed additional support. SEIC undertook activities to understand and address these issues. An assessment of these initiatives was provided in the second and third monitoring reports.

#### *Land re-instatement process*

A key activity that has been taking place in 2008, and is proposed to be completed by September 2009, is the restoration or reinstatement of land taken from land owners on a temporary lease for laying down the pipeline. The land is proposed to be restored both technically and biologically and the owner has to be satisfied with the restoration before being officially handed back his/her land. The Russian laws have laid down a clear process of land restoration that was described in some details in the second monitoring report <http://www.sakhalinenergy.com/>.

According to the Land Re-instatement Specialist in SEIC, most lands will be handed over to their owners after biological restoration by September 09. It is reported that the process has been smooth and no grievances have been registered by owners about the re-instated land.

This fourth monitoring round met with land owners whose land had been returned after re-instatement. The feedback was generally positive, though there was at least one case when the person has some concerns, even though he had signed the closure agreement. Those concerns have been discussed in Table 3.1.

The third monitoring report had suggested that to benchmark the quality of re-instatement and of livelihood restoration in general, SEIC should consider conducting a special socio-economic survey of a group of land owners who have not been impacted by the pipeline activity. The feedback from this “control group” will help SEIC understand if problems being faced by the land owners (especially on productivity and land use) after receiving restored land from the company is unique to them as a result of project impacts, or is a general issue being faced by all land owners in the area. Similarly this control group's feedback could be used to analyse if the changes on the livelihood patterns of the impacted families (reduction in cultivated area or change in occupational patterns) is unique to these families or is a general trend in the district or Sakhalin islands as a whole.

The Social Performance team has since conducted a survey targeting a small group of 22 households, representing 7 communities in 4 districts (Tymovsk,

Smirnykh, Poronaisk and Makarov). This constitutes the control group for the project hereafter. The socio-economic monitoring however did not throw up any significant differences between the project affected households and the control group, suggesting that the project affected families were not facing unique issue as a result of the project. More details are discussed in Table 3.1.

## 2.6 *PROCESS COMMITMENTS*

### 2.6.1 *Consultation and Disclosure*

The commitment to continue consultations with different stakeholders and affected families is demonstrated by the fact that meetings are being held with individual groups on a regular basis.

#### *Consultation with land users and resettled households*

SEIC has been consulting with land impacted households and the resettled households at least twice in a year during the semi-annual socio-economic internal monitoring process since 2003. Since then nine monitoring rounds have been completed and virtually all the affected groups have been met with at least one since the monitoring began. In 2009, 1 monitoring round was undertaken till August during which 57 meetings were held including:

- 35 meetings with affected households; and
- 22 meetings with the control group members.

Till date in 2009, the family resettled by the pipeline SPZ has been met twice a month on a regular basis. These meetings enabled the Social Assessment Groups to track the progress of the family settling down in their new house/homestead, and to be able to address any grievances they may have.

#### *Consultation with the fishing enterprises and organisations*

SEIC has been consulting with the commercial fishing industry, especially the enterprises that were directly affected or those who could be potentially impacted. The consultations have been conducted through the Sakhalin Fishermen Association. In 2009, SEIC has continued communicating with representatives of the fishing industry and authorities to inform them about the project activities.

#### *Consultation with the Korsakov administration about the Prigorodnoye beach compensation*

Based on the RAP, Sakhalin Energy has fulfilled commitments on Park Upgrade under the agreement with Korsakov Administration. However the LNG EA team continues to hold regular consultations with the Korsakov Administration (which is managing the project) about the park upgrade and has been informing the Korsakov citizens on the status of work at the park. The team has also been consulting citizens groups like KiP, a local NGO, about the park as also discussing any issues that are concerning them. The LNG EA

team also organises public meetings twice a year, and the park is one of the topics discussed at the meetings. Focused meetings in the settlements and Korsakov organizations are also ongoing and park is included into agenda.

#### *Consultation with Prigorodnoye Dacha community*

This remains one of the most challenging engagement issues for the LNG EA team, and regular meetings have been held with this group till August 2009. The issues being discussed are related to social investment, road access, concern regarding the flaring as well as the Quality of Life Monitoring process. The results of the monitoring have been communicated to the Dacha owners/users. Dacha community members often drop into the LNG CLO office during the open hours that the office runs.

The dacha community have been asking SEIC to share their industrial monitoring data of the LNG site which SEIC submits to the relevant authorities. SEIC has informed them that the report is with the authorities and they can access it directly from there.

#### *Consultation with Indigenous People*

All consultations with IP are currently being held through the SIMDP programme. Meetings with the entire community are held once every 3 months. As there were no grievances and compensation claims from this community, no separate meetings were held with individuals for such purposes by the Social Assessment team. Documentation suggests that in all, 49 meetings were held with individuals and small groups of the IP community in the first half of 2009. Meetings with IP representatives included meetings with their leaders, IP related authorities in the Nogliki administration, and the community in general.

Area specific issues and consultations have been managed through the CLO network. In addition Independent External Monitor biannually carries out regular monitoring of SIMDP. The monitoring report is disclosed in the SEIC website.

### **2.6.2 *Grievance Redressal***

SEIC developed Community Grievance Procedure that lays down clear guidelines on the grievance redressal process in place. This process has been disclosed extensively through public campaigns (including different media ways), groups and individual meetings as well as disclosure in prominent places. Pamphlets on the grievance process being displayed in prominent places like the Korsakov Mayor's office, in the office of the Heads of Communities along the pipelines as well as in the CLO office.

In 2006, 2007 and 2008 (during monitoring visits) the GP process was reviewed and strengthened to reflect the lessons learned and experience gained in implementing the grievance management process in previous years,



along with extensive communication about the process and improved tracking of progress. SEIC now reports that since then the average resolution time has decreased significantly.

#### *Current status*

Since April 09, there have been 10 grievances registered, of which 6 were successfully closed and 4 are open. During this period, 3 grievances open since last year, were also closed.

5 of the grievances were related to nuisance created by the construction activity or by the contractors. In one case the contractor had not provided adequate drainage, causing water logging of the complainant's fields. In the other the contractor workforce were seen to be dumping garbage in the village where their camp was located. 2 of these complainants were satisfied by the actions taken by SEIC and have signed the satisfaction letter. The other complaints are under consideration. In addition to these 5, there was one complaint from a cable company who alleged that their cable was destroyed during pipeline construction. Of the remaining four complaints, two were related to labour issues, one from a dacha owner wanting a review of the waiver package, and one from the IP community member, requiring clarity on the social programmes fund distribution.

Since the coordination and control over Grievance resolution process has moved to the Social Performance Team, the process has reportedly smoothened, and there was easier communication with contractors. Information is more accessible and reports easier to compile. The SP team made a general trip in the project area to meet the various sub-contractors now taking charge of operations. The trip was to sensitise the contractors about the social issues in the area, as well as develop awareness about the grievance resolution process. Such interactions are planned to continue.

The Social Assessment team plans to introduce further changes in the grievance resolution process to increase efficiency and effectiveness. One issue being reviewed is the role of the grievance resolution process in cases where the complainant approaches the court. In such cases, the introduction of a decision tree to decide when to put on hold the grievance resolution process is under consideration.

No grievances related to Operations have been received till August 09.

### **2.6.3**      *Monitoring (internal and external)*

The RAP commits SEIC to both internal and external/third party monitoring. Internal monitoring was proposed on a bi-annual basis, and to be conducted by the Social Assessment team, with support from the CLOs, for a period of 36 months. The monitoring focussed on the restoration of livelihood process of all project impacted land owners/users, potential and actual issues and

concerns related to RAP, as also of the effectiveness of the consultation/disclosure as well as grievance redressed.

External monitoring (this assignment) was also slated to be conducted on a semi-annual basis for a period of 36 months. The focus was to ensure that the RAP commitments were being made, and recommend measures to close gaps, if any, and to strengthen the process of implementation.

#### *Current status*

Till date the internal monitoring process has completed 9 rounds since November 2003 of which the 10<sup>th</sup> one was conducted in June 2009. The monitoring process has interacted with project affected land users, fishing and other enterprises and farmers. It has highlighted issues regarding use of compensation money, continuation or severance of livelihood activities, overall satisfaction with the compensation and the payment process etc. The monitoring process has often been able to identify grievances and/or potential issues that were not registered with the SEIC, and helped in the resolution of the same.

This is the fourth round of external monitoring and the fifth round is proposed in late December 2009, which will be a desk based monitoring.

### ***FINDINGS OF THE EXTERNAL MONITORING AND STATUS OF COMPLIANCE AGAINST RAP COMMITMENTS***

The HSEAP Part 2 Table clearly outlines the specific commitments made by SEIC regarding the Resettlement Action Plan. This section comments on the status of compliance against select, most important commitments and discusses the reasons behind non-compliances or partial compliances, if any. For the full commitment table, please see the HSESAP table provided in the SEIC website <http://www.sakhalinenergy.com/>.

**Table 3.1 Compliance Table**

| HSESAP Reference | RAP Commitment  | Status (Y/P/N) | Comments   | Remarks/Recommendations |
|------------------|---|----------------|--|-------------------------|
| .                | SEIC shall compensate in accordance with the provisions of OD 4.30 or Russian Federation legislation, whichever is more extensive. The Supplemental Assistance Programme shall be drawn on as necessary to meet this commitment.  | Y              | All compensation payment under Russian Federation laws has been completed. Wherever the project affected family was not eligible under the Russian laws, they were provided SA. In 2009, SEIC has paid compensation to 3 dacha owners whose unregistered potato plots were affected by the road upgradation in Prigrodnoye. The compensation package was decided in consultation with the Dacha owners, and there have not been any complaints or grievance on the issue. This compensation was paid as a part of Supplemental Assistance, as the land plot was unregistered and not eligible for compensation under the Russian laws.   |                         |
| 3.               | Wherever possible, and consistent with the preferences of the PAP, SEIC shall endeavour to provide replacement land and structures equivalent to or better than those lost to the project.<br><br>A third party specialist appraisal firm to determine the compensation for land, crops and assets.<br><br>Compensation payment prior to the land being occupied by the project in accordance with OD 4.30. | Y              | SEIC has provided replacement structure to all the families who were relocated from the LNG site. In all cases, the quality of the structures provided is better than before. Cash compensation and supplemental assistance was provided in lieu of land loss (temporary and permanent).<br><br>SEIC has been using an independent estate valuation agency for determining value of land and assets. Even in the case of verifying dacha owner's claims on loss of value, SEIC has used an independent agency to evaluate the loss in value or develop the waiver package.<br><br>During the first monitoring visit, there were cases when the land owners complained that their land was used during construction activities by the contractor sometimes without prior permission and sometime without the payment of compensation upfront. These cases have been discussed in Monitoring Report 2 and 3. |                         |

| HSESAP Reference | RAP Commitment  | Status (Y/P/N) | Comments  | Remarks/Recommendations  |
|------------------|---|----------------|---|--|
| 4                | Project Affected Persons shall be assisted with livelihood restoration measures through the Supplemental Assistance Programme. This includes monetary support as well as non-monetary support | Y<br>(ongoing) | <p>The Social team had been conducting household surveys to track the change in occupational patterns and livelihood/income levels to identify families that may have problems in restoring their income and livelihoods. On recommendations from the first monitoring report, specific questions were added in the questionnaire to track this change.</p> <p>In 2009, the following trends have emerged:</p> <ul style="list-style-type: none"> <li>• A majority (&gt;90%) of the affected households continue their pre-project economic activity. Hence there is no significant impact on occupational patterns</li> <li>• Only 2.5% of affected households have increased the total area of their land plots, while the remaining 71% of households have either retained the same area or decreased it.</li> <li>• 100% of the interviewed households report that their current land plot size is adequate to satisfy their agricultural needs and they do not want to increase this size.</li> </ul> <p>On the issue of restoration of agricultural production post project:</p> <ul style="list-style-type: none"> <li>• 60% of the households reported that their production levels either remain the same or are less than what they had before. However this change is reportedly out of choice and not a compulsion or a project related impact. The following reasons were cited for this status: <ol style="list-style-type: none"> <li>1. Lack of capacity to continue the same scale of agricultural activity, primarily due to old age and lack of family members involved in agriculture/or inadequate availability of equipment.</li> <li>2. The families are less dependent on agricultural</li> </ol> </li> </ul> | <p>The first control group survey captured the baseline of a community that was not affected by the project and their opinions about their economic status.</p> <p>The subsequent socio-economic survey and the control group surveys should try and capture perceptions about <b>changes</b> in the socio-economic status, as well as of the economy around them. Once people start cultivating land they receive after restoration, they will have opinions about whether the land productivity has changed, or whether agriculture in general in that particular year has faced problems. Use questions which require answers like "same as before, worse off or better off". Responses can be then compared between the two groups to assess if the perceptions are common, and point to generic issues, or that the project affected people are facing issues particular to them.</p> <p>The Social Team should also continue to inform the people of the project's commitment to provide livelihood restoration support so that, if required, people know whom to approach for this purpose.</p> |

| HSESAP Reference | RAP Commitment  | Status (Y/P/N)     | Comments  | Remarks/Recommendations  |
|------------------|---|--------------------|---|--|
|                  |   |                    | <p>produce as families have become smaller and children in many households have moved away/live independently.</p> <p>3. Income from sources other than agriculture has become the primary income source in many households.</p> <p>This time around, the social team also conducted a survey of a controlled group to compare the socio-economic status of the project impacted families with those not impacted by the project. The group covered 22 randomly selected households in the project area. The results show similar trends as the survey of the affected households wherein nearly all of them had land plots for agriculture. Around 75% of them felt that their agricultural plot and productivity is enough to meet their needs, and they had no plans of expanding their current agricultural activity. In fact like the project affected households, they are planning to buy poultry and livestock as a supplemental income source, and becoming less dependent on agriculture.</p> <p>The External Monitor met some land owners and Heads of Communities, and the above feedback was reiterated during the meetings. Agriculture as an occupation appears to be on the decline in rural Sakhalin, and not just along the project pipeline.</p> |  |
| 5                | <p>Lack of legal titles should not be a bar to compensation, un-registered land users to be compensated as any other PAP.</p> <p>In case where land has fallen out of compliance due to non-payment of taxes,</p> | <b>Y (ongoing)</b> | <p>Non-registered land users have been compensated through the Supplemental Assistance programme. They have been treated at par as registered land users as far as the compensation amount/process goes.</p> <p>The first monitoring report recommended that SEIC should</p>  | <p>Continue identifying people needing support for land registration during the socio-economic surveys and consultations and provide information and procedural support if required.</p> |



| HSESAP Reference | RAP Commitment   | Status (Y/P/N)     | Comments   | Remarks/Recommendations  |
|------------------|--|--------------------|--|--|
|                  | primarily due to economic circumstances, the project shall also, where feasible, assist in getting alternative land of equivalent quality and shall undertake to pay all fees for registration of that land.   |                    | try and find out the families that are keen to get their land registered and provide information and support as required. The December 2007 and June 2008 survey asked specific questions to landowners about their land registration status and future requirements. In June 08, only 3 of the sampled 26 interviewed households asked for more information about the registration process. SEIC has informed them of the process which entails 5 steps. Reportedly the process is simple and does not require additional resources, and the lack of requests for registration support indicates that most people see little benefits in registration |  |
| 6                | <p>SEIC has identified that 89% of the project affected households are potentially vulnerable. The RAP lays down specific provisions for such households:</p> <ul style="list-style-type: none"> <li>• Supplemental Assistance specially designed to address the needs of such households;</li> <li>• Non-monetary assistance in the form of training;</li> <li>• access to loan or credit;</li> <li>• provision of employment opportunities within the project, where feasible;</li> <li>• assistance to become formally registered landowners of the land they have been using; and</li> <li>• SEIC will maintain procedures to deal with claims from vulnerable people promptly.</li> </ul> | <b>Y (ongoing)</b> | <p>As discussed in the livelihood restoration process (row 4). No specific vulnerabilities resulting from project's activities have been identified so far, from both the internal monitoring process, as well as from the external monitoring process. The elderly remain the most vulnerable, group, and the internal monitoring process aims to cover their concerns.</p> <p>No specific training of support has been initiated or a need felt to do so.</p>  | The internal monitoring process will continue focussing on vulnerability, and also ensure coverage of at least 50% of the elderly Heads of Households during interviews/ consultations during each subsequent monitoring rounds. |

| HSESAP Reference | RAP Commitment                                  | Status (Y/P/N) | Comments  | Remarks/Recommendations   |
|------------------|---|----------------|---|---|
| 7                | Mitigation measures related to reindeer herders | Y              | <p>The RAP addresses damage and resultant compensation, as well as additional mitigation measures as agreed before the SIMDP. All these commitments have been met. The community mitigation measures are being addressed through the broader Sakhalin Indigenous Minorities Development Programme (SIMDP).</p> <p>SEIC had regular consultations with herders through herder workshops. A number of support activities have been undertaken, as agreed during such quarterly workshops. Some of these include:</p> <ul style="list-style-type: none"> <li>• Repair of community gas pipelines (as part of compensation transferred to Nogliki Administration);</li> <li>• 3 snow mobiles (as part of compensation transferred to Nogliki Administration);</li> <li>• Financial support of construction of special fencing for deer (in Russian called koral’);</li> <li>• Provision of fuel for herders;</li> <li>• Provision of compound animal feedstuff for deer; and</li> <li>• Provision of hunting weapons (as part of compensation transferred to Nogliki Administration).</li> </ul> <p>Some of the initiatives taken by SEIC are directly aimed at the 5 impacted herder families, while others are for the community as a whole. It has been reported by the representative of the Herder community to the External Monitor that the 5 Herders identified as project impacted have requested more direct support.</p> | <p>The engagement with the Herders specifically, and Indigenous People in general, has largely been through the SIMDP process, which has a broader mandate about IP development in Sakhalin. There is a possibility that consultations and engagement with the directly impacted families about issues that concern them and of any additional mitigation measures required for them may have been neglected within the SIMDP process. The socio-economic monitoring also does not cover these families separately.</p> <p>It is therefore recommended that the socio-economic monitoring should consult with the SIMDP team, Herder representatives and the SIMDP External Monitor to identify any issues and concerns of the Herder that have any RAP implications.</p> |
| 8                | Commitment related to natural resource          | P (Ongoing)- M | To a large extent, contractors have worked closely with SEIC  |   |

| HSESAP Reference | RAP Commitment   | Status (Y/P/N) | Comments  | Remarks/Recommendations  |
|------------------|--|----------------|---|--|
|                  | <p>users include:</p> <ul style="list-style-type: none"> <li>Careful attention to facility siting to avoid impacts on natural resources</li> <li>Provide transport to enable them to reach alternative areas</li> <li>Social monitoring of communities adjacent to the project construction to identify project related impacts.</li> <li>Careful restoration programme on the pipeline corridor.</li> <li>Rigorous enforcement of no hunting, no fishing, no gathering policy among project people; and</li> <li>Clear channels for local communities to lodge complaints.</li> </ul> |                | <p>CLOs and Heads of various Communities to ensure that people are apprised of the construction activities, that the grievance process is robust and is able to address complaints quickly and measures are taken to minimize impacts. Bulletin boards in libraries, presentation on the project and the construction activities, distribution of pamphlets are some such communication tools being used.</p> <p>Example from the Troitskoye community brings out that roads were strengthened before being used by the contractor, electricity supply lines were repaired, temporary roads were constructed to facilitate movement of the people (these were later demobilised and land restored to the satisfaction of the community), the water supply system which was damaged during the laying of the pipeline was restored, and so were the main access roads. The contractor also left behind their earth moving equipment as a gift to the community.</p> <p>Similar examples were cited in other communities too.</p> <p>There have however also been examples where the Contractors have not been diligent about the management of their workforce and communities have had to contend with rowdy behaviour and poor waste management creating a nuisance for them. One such example was brought out in Gastello community, where a local lady had also registered three grievances about this issue. SEIC has taken action on this with its contractor, and the grievance is now formally closed, with the complainant signing a satisfaction letter.</p> <p>Hence this commitment is ongoing till the time all the land is restored.</p> | <p>The socio-economic monitoring should continue to cover such issues during their surveys and bring it to the notice of grievance team even though no formal compliant may be registered. The good will generated by the project and many of the contractors could be at risk with such incidences.</p> |

| HSESAP Reference | RAP Commitment   | Status (Y/P/N) | Comments   | Remarks/Recommendations   |
|------------------|--|----------------|--|---|
| 10               | The Supplemental Assistance Programme shall be used to meet OD 4.30 requirements. SEIC shall ensure transparency and consistency by documenting compensation communications, approaches and actions between users, communities and SEIC.   | Y              | SEIC has provided the affected households and enterprises the basis for the derivation of compensation and has documented every compensation related communications and provided the same to land owners with whom agreements were reached. The additional compensation has been used in case of delay in handing back land to the owners. The SA has also been used to compensation unregistered land owners.   |   |
| 13               | Where there is a need to relocate commercial fisheries, SEIC shall ensure appropriate compensation and assistance is provided. SEIC shall provide compensation for lost income based value of catch; assist in the removal and relocation of equipment; and assist in and compensate for enterprises applying for new fishing licences.                      | Y              | Compensation to all the three impacted fishing enterprises were completed in 2007 based on negotiated assessment of loss of fishing areas and reduction in the number of nets in the long run.<br><br>The project has not significantly impacted the number of people employed by the fishing enterprises.   | SEIC should continue its communication with the enterprises, informing them of ship movements and working with them to ensure that there is no damage to nets and assets, and that safety standards are maintained. |
| 14               | Ancillary fishing industries: SEIC aims to avoid or minimize any socio-economic impacts on ancillary fishing industries with economic ties to the commercial fishing industry through implementation of environmental mitigation measures set out in HSESAP, EIA and EIA addendum.<br><br>SEIC conducted informal surveys through the CLO network and SPT on | Y              | As the first monitoring report brought out, there is not a big, independent, ancillary industry in Sakhalin island that is critically dependent on the fishing enterprises. Most enterprises have their own ancillary support either within the enterprise or different enterprise specialise in particular services and provide those services to each other. Repair /maintenance/processing facilities are generally located in the mainland. This opinion has been confirmed by the social impact assessment study on fishing enterprises and ancillary industry. |   |

| HSESAP Reference | RAP Commitment  | Status (Y/P/N) | Comments  | Remarks/Recommendations   |
|------------------|---|----------------|---|---|
|                  | ancillary enterprises and individuals engaged in activities linked to commercial fishing.   |                | <p>There were no grievances recorded from this sector in 2009.</p> <p>There is ongoing engagement with the fishing enterprises and organisations. One person in SEIC has been appointed with that responsibility. The internal monitoring process also follows issues of concern within this sector.</p>  |   |
| 15               | Resettlement: Affected owners and users shall be compensated for loss of land, assets and livelihood in accordance with the Russian Federation regulations, or given the option of receiving equivalent replacement land and structures at a nearby location approved by them, along with assistance during moving and access to basic amenities and infrastructure. Additional allowances shall be paid from the supplemental assistance Fund where required to meet OD 4.30 principles. Resettled families will be provided income restoration support. | Y              | <p>All the 8 families displaced by the project have been duly resettled. The final resettlement of the family displaced by the pipeline SPZ was formally completed last year with some additional commitments completed this year. One commitment was to provide the family with fertilizer for their kitchen garden which was done in the autumn of 2009. With this the family confirms that all resettlement commitments have been satisfactorily completed.</p> <p>The other displaced families from the LNG site have been living in their new locations for the past 5 years now. They were not covered during this monitoring round, but in the previous rounds, none of them reported any significant changes in their incomes and occupations as most of them (at least those with whom SEIC has managed to maintain contacts) continue to have the same income sources, though some did complain that living in Korsakov was more expensive.</p> | <p>It is also observed that it is more than 5 years since the families from the LNG site were resettled. The monitoring process focussed on these families in the first two rounds of monitoring and found the process satisfactory and the families settled in their new houses. The monitoring process did not identify any serious livelihood concerns among those nine families as many of them were already pensioners, and some of them continued with their old livelihood activities (livestock rearing and dachas).</p> <p>Regular monitoring of these families displaced by the LNG plant therefore may not be necessary any longer. On the contrary regular visits will keep raising expectations and also not allow the families to move on with their lives, mentally leaving behind their “displaced” status. In case any of these families do face an issue that needs SEIC intervention they are aware that they can approach the grievance process.</p> <p>The Polykov family, the last family resettled, will however need to be covered for some more time, though even they report no major</p> |

| HSESAP Reference | RAP Commitment  | Status (Y/P/N) | Comments  | Remarks/Recommendations   |
|------------------|---|----------------|---|---|
|                  |   |                |   | impacts and continue with their income sources (government jobs). They report that the quality of house, homestead and amenities they have now is better than what they had before.   |
| 17a              | <p>The Dacha community is to be compensated on principles set out in the RAP. The company is committed to regular dialogue with the dacha owners/users to seek to understand their concerns regarding the proximity of the project to their communities and to discuss appropriate mitigation measures.</p> <p>SEIC employed an expert assessor to provide an independent valuation of property value. The expert assessor was acceptable to both dacha community and SEIC.</p> | Y              | <p>As far as SEIC is concerned, the compensation and resettlement issues with respect to the dachas are closed now, with the acceptance of either the waiver package or the loss of value amount by the Dacha owners. Of the total 73 dacha owners, 71 received the compensation for only loss of value compensation, while the remaining 28 received compensation for loss of value as well as waiver of rights. Of the remaining two, one did not show interest in choosing either of the options and one owner died during this period. A summary of the current status of issues concerning the dacha owners has been discussed in section 2.4.5.</p> <p>The engagement with the Dacha owners, however, continues with the LNG-EA team being available for the Dacha owners to approach and discuss any issues of concern. The Dacha owners however perceive that these consultations are being done merely as a routine with no honest efforts to resolve their issues. Their issues continue to remain the following:</p> <ul style="list-style-type: none"> <li>• The emissions are not being captured accurately</li> <li>• The soil sampling was done before the flaring and should be repeated so that the impact of the flare on soil quality is understood. They allege that they are not able to sell their vegetables as before because of the perception among buyers that the vegetables were of inferior quality/had possible contamination;</li> <li>• The bus service to Prigrodnoye has been stopped, creating a problem for them;</li> </ul> | <p>Continue engagement with the Dacha community on a regular basis as is already being done. Despite the obvious conflicts, it is apparent that there is open communication and formal and informal interaction with the Dacha community and the LNG-CLO team. The CLO office in Korsakov has regular visitors from the dacha community.</p> <p>There are NGOs like the Sakhalin Environmental Watch and Knowledge is Power who are raising up the dacha community issues at public forums. The monitoring data is being shared with them by SEIC. To get a third party assessment of the monitoring process, the dacha owners are free to invite NGOs to observe the process.</p> <p>The Social Monitoring should try and engage with dacha community who have availed of the waiver package and left Prigrodnoye. The consultations should discuss how they have used their packages; how many have brought a new dacha, and if not then was it because of not being able to, or out of choice;</p> |



| HSESAP Reference | RAP Commitment | Status (Y/P/N) | Comments   | Remarks/Recommendations  |
|------------------|----------------|----------------|--|--|
|                  |                |                | <ul style="list-style-type: none"> <li>Continuous disturbance from noise from the LNG plant as well as movement of vehicles;</li> <li>Increase in costs of the electricity for the remaining few residents; and</li> <li>Considering the above, the need for their resettlement or for them to get “resettlement value” of the dachas to enable them to buy a new dacha. They have always maintained that the waiver package was not enough to buy a replacement dacha.</li> </ul> <p>The dacha owners have also requested for air and noise monitoring data from the LNG site itself (the industrial data) from SEIC to compare the levels against those monitored at the dacha locations. SEIC has responded saying that the industrial data is being generated for regulatory purposes and submitted to the relevant authorities. The Dacha community need to request the relevant authorities to share the data.</p> <p>SEIC has also maintained that there is no question of exploring the resettlement option, as the people have accepted the options for compensation/ waiver that were offered of their own free will. As far as the bus service is concerned the commitment was to provide the bus service only during the construction phase, as a mitigation measure for the increased pressure on the existing public transport system due to movement of the workforce. As discussed in section 2.4.5, the emission levels still remain within permissible limits, even after additional monitoring was done to capture emissions on the days with high flare.</p> <p>While the dacha owners are putting on pressure at regular intervals on the valuation and resettlement issue, the PP road</p> | <p>what new assts etc have they purchased etc. This will help us understand if the waiver package has been used to restore their occupation and way of life.</p> |

| HSESAP Reference | RAP Commitment   | Status (Y/P/N) | Comments  | Remarks/Recommendations   |
|------------------|--|----------------|---|---|
|                  |  |                | <p>upgrade in Prigrodnoye has been completed amicably, without disrupting the community to any significant levels. Compensation to three impacted dacha owners has been paid using the Supplemental Assistance programme. The Contractors have also done some good will work by repairing water holes and improving the internal roads. This has been appreciated by the community.</p> <p>Inspite of regular requests, the dacha owners have refused to submit proposals to use the Social Investment Fund which SEIC has committed for the development of the dachas and welfare of the community. They have also refused help from SEIC to develop proposals that can be funded.</p> <p>The External Monitor observed that some of the dacha owners who have availed of the waiver package, are still using the dacha plots.</p> |   |
| 17b              | <p>Quality of life indicators such as health, livelihood and access to basic services will be monitored using indicators and a methodology will be agreed by, and to the satisfaction of the affected community and Senior Lenders by end of 2006. Significant impacts will be evaluated through monitoring the performance of QoL indicators over a period of time. Where significant impacts are established an appropriate compensation package will be worked out through a participatory process.</p> | As above       |   | <p>Consider conducting the soil quality monitoring once again (to demonstrate the post flaring impacts) after some time to reassure the community against concerns related to soil contamination. It has already been agreed with dacha owners that such an assessment will be done if air monitoring shows violation of norms.</p> |
| 17c              | <p>In addition to compensation, the dacha community will be entitled to a targeted social investment programme to ensure that the quality of life is restored to pre-</p>  |                | <p>A Social Investment fund of \$50,000 was allocated for addressing the dacha community needs. The fund has not been utilised till date, primarily because there have been no proposals from the community to avail of the fund. Several</p>   |   |

| HSESAP Reference | RAP Commitment  | Status (Y/P/N) | Comments   | Remarks/Recommendations |
|------------------|---|----------------|--|-------------------------|
|                  | project levels, and in some cases improved.   |                | <p>attempts by SEIC to encourage the Dacha owners to discuss possible areas where the investment fund can be used for the improvement of the community has failed.</p> <p>In December 2008 SEIC notified dacha cooperative that they need to provide projects/ideas to be supported from SI Fund by July 01 2009. Assistance during project development was granted. Dacha owners have officially stated that they do not want to use this fund.</p> |                         |
| 21               | Gatherers: Traditional users of common resources like berry and mushroom collectors will have alternative sites where they can access these resources. Families facing problems in access to similar resources will be provided with transport to alternative sites by the project. Such families can approach their CLOs and register their grievances and concerns. | Y              | Most of these issues emerged during the construction stage. SEIC reports that no demand or request for transportation to alternate sites was received from any of the communities. No claim for compensation has been made or paid on this issue.  |                         |
| 22               | Traditional Land Users (Hunting, Fishing, reindeer herding): Supplemental Assistance will be available in accordance with the principles set out in the RAP, where there is verifiable adverse impact. SEIC to develop or support some sustainable development initiatives through consultations with such stakeholders as discussed in the SIMDP.                    | Y              | An SIMDP has been designed and is being implemented in parallel to the RAP, specifically addressing IP related issues.   |                         |
| 23               | Compensation for Prigorodnoye Beach   | Y              | <p>The park upgrade process is completed as committed in the RAP. Though there are still queries on the upgrade works, those queries are directed to the Administration instead of SEIC, and it is they who need to provide responses.</p> <p>Korsakov District Assembly (Council consisting of elected</p>  |                         |

| HSESAP Reference | RAP Commitment   | Status (Y/P/N)        | Comments   | Remarks/Recommendations  |
|------------------|--|-----------------------|--|--|
|                  |  |                       | deputies) requested the Company for the information regarding park upgrade. SEIC has submitted a detailed letter to the Assembly explaining the works done and the detailed expenditure breakup.   |  |
| 24 and 25        | Temporary land use: Landowners and users shall be compensated for the use of land during the lease period for loss of fixed assets and for any loss of income experienced during the construction period. Land shall be returned to the original owners and users upon construction completion, with the land duly restored. | <b>P (ongoing) -M</b> | <p>Most land plots are proposed to be handed over after biological restoration by September 09. Some private owners like farms and the state forestry have restored their lands themselves, following the project guidelines. The handing over of the land to the community is being done throughout the pipeline route. SEIC Land Restoration Specialists reports that the landowners will be supported even after the formal handover. The grievance process will be used to identify families facing problems in re-starting agricultural activity on those lands again. The Operations Sub-contractor will be used for any technical works as and when required.</p> <p>Though there are no grievances registered as yet and most families have signed documents expressing their satisfaction with the restoration process, the external monitoring did come across land owners who had concerns about the quality of restoration.</p> <p>For example one land owner in Tymovsk district had two plots of land temporarily taken for the pipeline. One of the plots, close to a river, was used to develop an access road to the pipeline for which stones were laid over the land. The Contractor has since broken the stones and put the required fertilizer, but the owners is not satisfied with the quality, and apprehends that it will take another 10 years for the land to regain its original quality. He does not see himself being able to cultivate the land in the next few years. This case may be typical for lands that were used for access roads. Some of these kinds of problems may be registered as grievances,</p> | <p>It was originally envisaged that the fourth external monitoring would focus on land restoration/ However at the time of the monitoring the land was still in the process of being handed over and very few households had actually used restored land to understand and assess the quality of the restoration process. By the next monitoring site visit in 2010, the land owners should have had time to assess this.</p> <p>In the meanwhile the socio-economic monitoring should ask focussed questions on land restoration and gauge the satisfaction levels among the landowners. It is expected that the land resettlement specialist will also be monitoring this process.</p> |

| HSESAP Reference | RAP Commitment   | Status (Y/P/N) | Comments  | Remarks/Recommendations |
|------------------|--|----------------|---|-------------------------|
|                  |  |                | while others may have to be captured during the socio-economic monitoring.<br><br>This commitment is termed ongoing until all the land is restored and handed back.   |                         |
| 26 and 27        | Road usage: Wherever possible, the project shall make use of existing roads to minimize the requirement for additional land acquisition. The project shall upgrade these where necessary to accommodate project traffic. | Y (ongoing)    | Since the construction activity has stopped, concerns regarding use of roads by contractors have been eliminated. No grievances were recorded in 2009 on use/damage to local roads.<br><br>The road in Prigrodnoye has been upgraded. Based on the social impact assessment, mitigation measures were taken to minimize impacts and 3 dacha owners were compensated for damage to their land plots. |                         |
| 31               | Independent mediation: Where RAP related claims have not been satisfactorily resolved, the company has made provisions for independent mediation.  |                | Till date the project related grievances have not required independent mediation. There have been cases where people have gone to court and these are being handled by the SEIC Legal Department.   |                         |

*Y: The commitment has been fully met;*

*P: The commitment is either still in progress, or has been partially met. Partial Compliance has in turn been rated High (H), Medium (M) and Low (L) depending upon the relative significance of the issue and ease of managing that issue; and*

*N: This commitment has not been met. This is a non-compliance.*

The fourth monitoring has not come across any non compliances against the commitments in the RAP and thereafter. There are gaps, most primarily because the process is not yet complete. In other cases, SEIC has completed the compensation and mitigation measures and closed the issue.

The key recommendations include:

- The subsequent socio-economic survey and the control group surveys should try and capture perceptions about **changes** in the socio-economic status, as well as of the economy around them. Use questions which require answers like “same as before, worse off or better off”. Responses can be then compared between the two groups to assess if the perceptions are common, and point to generic issues, or that the project affected people are facing issues particular to them.
- Continue identifying people needing support for land registration during the socio-economic surveys and consultations and provide information and procedural support if required.
- The socio-economic monitoring should consult with the SIMDP team as well as the SIMDP External Monitor to ensure that all impact and resettlement related issues have been addressed.
- Monitoring these families displaced by the LNG plant may not be necessary any longer. On the contrary regular visits will keep raising expectations and also not allow the families to move on in their lives, mentally leaving behind their “displaced” status. In case any of these families do face an issue that needs SEIC intervention they are aware that they can approach the grievance process. The Polykov family, the last family resettled, will however need to be covered for some more time, though even they report no major impacts and continue with their income sources (government jobs).
- Continue engagement with the Dacha community on a regular basis as is already being done.
- Consider conducting the soil quality monitoring once again (to demonstrate the post flaring impacts) after some time to reassure the community against concerns related to soil contamination. SEIC has agreed with dacha owners that such assessment will be done if air monitoring shows violation of norms.
- Ensure that land restoration feedback is getting captured robustly through the socio-economic monitoring process, especially during the next cropping season.

Annex A

## Monitoring Schedule

### Monitoring Schedule - 19th to 26th August 09

| Date           | Meeting  |
|----------------|--|
| 19th afternoon | Kick off meeeting with the EA team                 |
|                | Update on the monitoring and status of RAP         |
|                | Update on consultations                            |
|                | Meeting with the SIMDP Team                        |
|                | Meeting with the Grievance team                    |
|                | Meeting with Approvals Department                  |
|                | Meeting with the Legal Department                  |
| 20th morning   | Document review                                    |
| 20th afternoon | Meeting with Sakhalin Environmental Watch (NGO)    |
| 21st morning   | Meeting with CLO LNG                               |
|                | Meeting with Dacha owners                          |
|                | Meeting with Member, City Council for Park update  |
| 21st afternoon | Meeting with NGO- KiP                              |
|                | Visit to the Park                                  |
|                | Visit to the LNG site and dachas                   |
| 22nd           | Meeting with Head of Community - Troitskoye        |
|                | Meeting with Land Resettlement Specialist          |
| 23rd           | Meeting with the Polykov Family (SPZ Resettlement) |
|                | Meeting with Head of Community - Gastella          |
|                | Meeting with complainant - Gastella                |
| 24th           | Meeting with land owner, Smyrnykh                  |
|                | Meeting with 2 land owners, Tymovsk                |
| 25th           | Meeting with Herder Representative, Val            |
|                | Meeting with IP Specialist, Nogliki Administration |
| 26th           | Close out meetings                                 |



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