

ESHIA Public Meeting Minutes

Date	2.10.03
Time	18.00-19.00
Settlement	Dolinsk
Location	Cultural Center
Number of attendees	14

1. What is the kind of pipelining: above ground or subsurface?

Sakhalin II pipelines will be laid from the north to of the island to Prigorodnoye in the south. The pipelines will be laid 0.8 - 2 m under the ground in specially designed trench.

2. In what way will the road network be involved while pipelining and what damage will be done?

Pipeline route will cross some segments of the roads including those with traffic, but the impact will be minimized. The works will be carried out within the minimum time frame and the traffic will not be influenced.

3. Why does the Russian participation in the Project constitute 70%, as 20-25 years ago the Russian share was larger?

Sakhalin Energy was established in 1994. Next year we'll have tenth anniversary. We cannot therefore comment on what may have happened over the last 20-25 years. The Company takes all the necessary steps to yearly maximize Russian content by using Russian labor, materials and contractors works and to achieve 70 % Russian Content over the life of the entire project

4. Why do the company experts (from the mainland, foreigners and Sakhalin residents) get different salaries when they fulfill equal amount of work?

The difference between the salaries of workers and experts is due to the conditions of the labor force market, while solving the problem it is necessary to take into account the level of the country economic development, i.e. if a Russian company starts paying salaries equal to those paid in Alaska, it will turn bankrupt. The salary difference is based on the difference of conditions of market relations in a certain situation. There were some appeals against foreign companies stating that the situation results in the labor market imbalance.

5. Who works on the Molikpaq platform – how many Sakhalin residents and non-residents are there among them?

160 people currently work on the platform. 110 are Russian specialists, among them 108 are Sakhalin residents.

6. How long will Sakhalin Energy work on the island at Sakhalin II Project?

Sakhalin II project will last for 30-40 years.

7. What will be on the island when the resources are depleted and the Project is completed?

When the project is completed the island will have upgraded or newly constructed infrastructure, i.e. roads, bridges, culverts, ports, airports. Besides this is not the only project on Sakhalin. There will be projects up to Sakhalin-8.

8. What are the stages of the Project implementation, what are the terms?

Sakhalin II is implemented in two phases. During Phase 1 Vityaz Complex was installed. The first oil was produced in July 1999. Phase 2 will be an integrated oil and gas project with installation of two more offshore platforms, construction of the OPF, LNG plant, OET, two 800 km pipelines. As for the terms, the works have already begun and will continue next year up to 2007 and in some cases up to 2010. It's no use talking about specific terms as the schedule can change under some objective circumstances.

9. What interest on profit received as a result of the Project implementation will be sent to the regional budget?

I would like to mention that direct benefits from the project are:

- 55,6 mln USD – royalty payment
- 100 mln USD – Sakhalin Development Fund
- 45 mln USD – bonus payments
- 10 mln USD – income tax payments
- 1 mln USD – support of social and community programs

Besides the project brings indirect benefit, e.g. development of small business, service industry etc. It is envisaged that by 2010 the income to the regional budget will be 230 mln USD whereas now the expenditures of the budget is 250 mln USD.

10. What is the cost of terminal construction in Prigorodnoye village, when will it pay for itself and when will the whole Project pay for itself?

Sakhalin Energy signed a contract with CTSD for 2 bln USD for LNG plant and OET construction. The first oil is planned to be shipped in 2010. It is rather difficult to estimate its recoupment, everything depends on the world oil price.

11. Will the Company advise those who want to take part in the grant program on writing projects?

In our grant announcements we tried to provide maximum information for those willing to participate. Not to limit people to special format of a document, page number, the announcements just have the kind of information a grant application should have. If you have any questions you can call our direct toll-free number or consult with the Company's local representative. If the application misses some information, you will get a call from the Company with request to clarify some things.

12. What are the company's standards to evaluate projects?

During several years the Company supports social and community programs. Since 1992 the Company spent about one mln USD for these projects. The Company evaluates submissions regularly. The ones we support should take part on the territory of the Sakhalin Region in the sphere of ecology, education, culture, sport, indigenous people. The Company does not support individuals, political parties and courses, religious organizations, individual or group travel, purchase of office equipment, pay salaries, projects taking place outside of Sakhalin Region.

13. What will be the distance between Dolinsk and the pipeline?

The pipeline will be laid 25 km west of the settlement.

14. How much time did the Sakhalin II project development take?

In 1991 the USSR government invited international oil companies to tender for the right to conduct a feasibility study (TEO) for the development of Piltun-Astokhskiye and Lunskiye license blocks. As a result, MacDermot, Marathon and Mitsui signed an agreement with the new Russian Federation government. This project became known as Sakhalin II. The study was completed in 1992. It was the year that Shell and Mitsubishi joined the consortium. TEO was approved by RF in 1993. In 1994 Sakhalin Energy was established. After this the Company and Russian Federation government signed a PSA.

15. Will the Company continue to finance various social projects?

Yes, the Company will continue financing of various social projects, paying special attention to those aimed at sustainable development and environmental protection.

16. Where can one get the forms for resumes?

Forms for resumes can be got at the Company's reception in Yuzhno-Sakhalinsk (35 Dzerzhinskogo St.) or at the local Company's Community Liaison Officer, Svetlana Nebet.

17. Can one get a job in the Company's office, is it necessary to know English?

If English is a requirement then this is mentioned in the announcement. English is not required for all the positions.