

ESHIA Public Meeting Notes

Date	10.11.2003
Time	18.00-20.00
Settlement	Korsakov
Location	Cultural Center "Ocean"
Number of attendees	23

1. Are there any age limits for prospective employees?

The Company launched a program of technical training. On October 6 we selected 15 people aged 20 – 30 who will be trained on-the-job for 4 years and then work as maintenance staff. We are planning to take on more people in February and every 6 months on. The Company pursues open personnel policy following RF Labour Code. People of pre-retirement age can be employed as well provided that they are able to work for the Company for at least 3 years.

2. Do you guarantee a proper safety level for local people while utilizing LNG? How do you ensure environmental safety?

Engineering research - Shell Global Solution – has been carried out. No accidents such as explosion has been recorded. We plan to use the newest technologies (cryogen technology of cooling gas to –160 degrees) for LNG production. Experiments were conducted when fire was set to spilled LNG and there was no explosion as LNG had been cooled at a very low temperature and as a result had not come into contact with enough oxygen. Thus, explosion is not likely to happen. The Russian party carried out fire risk analysis. Special sensors that locate leaks and send alarm messages were installed.

The Company has its own integrated security system including:

- 1) design of the equipment with high safety factor
- 2) monitoring of operation;
- 3) alarm signals (initial and in case of emergency situations);
- 4) system of emergency response (e.g. pressure release);
- 5) system of flare alarm (activated at the start-up and in case of breakdowns. Regular operation will not activate the system).

In the period of construction and operation impact monitoring will be performed: air, water and soil samples will be tested. Sanitary zone will also be the subject of monitoring. This zone is exposed to damage in case of any breakdown. The Company ensures that no damage will be inflicted outside the sanitary zone (3,5 km). Limiting the sanitary zone takes into account the relief and wind direction. Since we are planning to use gas, emissions will contain minimum carbon dioxide. There are standards of allowable emission as no plant can avoid emissions. Allowable emission for the Project has been calculated and approved, we follow RF norms and standards. The engineering

research has been carried out with participation of 70 Russian researches who conducted the analysis.

3. You spoke about your sponsorship to Korsakov, e.g. to the rehabilitation center for children. How much did you spend on it? Is the financial support you provide cost recoverable? We transferred \$16,000 from Rotary Club and would like to compare these to Sakhalin Energy contributions.

We can't give you the exact figures right now, but we can do it tomorrow (11.12. 2003) before 17.00. Leave your contact phone number.

Note: The next day a letter with the proper answer was sent to Korsakov as promised.

4. What construction works have been completed within 7 months of 2003? How much has been invested?

The following works were completed before July: cutting the wood, exploration and clearing of the site. At the end of July, after the engineering report had been compiled, construction works began. These included leveling of the site, dredging for building of the pier, preliminary works for the builders' camp and some drilling (7 km off LNG). Last week we started laying foundation for oil export terminal and concrete-making plant. We also did sample testing of underground waters, flora and fauna. We cannot say exactly how much money has been invested as several building contracts have been awarded. The total sum of subcontracts is \$250 million. We can provide information on the building progress percentage-wise but we are not responsible for the contractor's investments. The total cost of LNG Project is over \$2 billion, most part of which falls to contractor works. Generally, we are accustomed to contracts that stipulate everyday control over the budget. But life sets new requirements and what we want is the final result.

5. How many companies are engaged in LNG Project?

The general contractor is CTSD. This consortium unites NIPIGas and Khimenergo, which includes Transstroi (which is also a consortium) and subcontractors. We have submitted the list of all the companies to Korsakov city administration. KoksKhimmontazh is building oil export terminal.

6. Are all the companies registered in Korsakov tax inspection? How do you control it?

It is our requirement that the companies should be registered in Korsakov. At our last meeting with the Mayor we promised to control subcontractor companies. We have such meetings on a regular basis and add new companies to the list so that the administration can always check if all the companies are registered. But certain time is needed to check all the companies. We control this process and, if necessary, take measures concerning our subcontractors.

7. Give more information about employment possibilities with SE and LNG project.

If you apply for a job in CTSD, address the personnel department which is in charge of employment. Mr Namuro is a PD manager in Yuzhno-Sakhalinsk. We have already employed 70 people. Please call 463 – 428.

8. As we know, you are planning to build a construction camp for 5,000 workers near Prigorodnoye. To my mind, it would be more reasonable to have it within the town boundaries with a view to converting it to the housing fund in the future instead of building-down. On completion of construction works the town could use productive capacities of the concrete-making plant for its needs. Is building-down a part of the Company's policy or an inconsideration?

Several factors worked on this decision such as:

- 1) Construction camp is to be located near the construction site. Your reasons for its future use are quite valid, but what we strive for is minimizing a possible negative impact on local people. This was not an easy decision: most local people disapproved of the camp construction within the town or rayon. 5,000 people is a crowd, they will be coming from different parts of the island and Russia which may have a negative impact on the town.
- 2) A few words about the possible use of productive capacities. The final owner of all units will be Sakhalin Energy. PSA has some points on taxation concerning ownership or import of equipment that makes passing the property over to the local administration problematic. The Company is thinking over options for the use of the builders' camp in the future. We do not give promises but are trying to solve this problem. As for the concrete-making plant, it has to be located at the construction site as we need concrete 24 hours a day.

9. "Wet trench technique" presupposes underground pipelining. In Alaska they have above-ground pipelines. Why not doing the same? Underground lining does not allow visual pipeline inspections.

It is connected to pipeline parts crossing the rivers. We have compiled river-crossing charts where the importance of the rivers is highlighted. We are using a standard technique. Only 650 km of Alaska pipeline is above-ground, and the river-crossings are the same as ours. Underground pipelines are safer. We are planning all kinds of pipe inspection including helicopter. The pipes have built-in sensors that detect any leakage. Infrared radiation also locates any oil spills. Specially designed valves shut off the oil entry to the damaged spot. Methods of spill elimination take into consideration local conditions.

10. Will water discharge affect in any way the temperature of water in Aniva Bay?

The newest technologies use air to cool gas. We will not use water cooling. Discharge waters will go through four systems for cleaning, chemical

composition of the waters will be regularly analyzed. So the temperature in the bay will remain the same.

11. What is the exact location of the pipeline near the plant?

Two pipelines will run in one direction from the north to the south, north-west from the plant. The plan is available at SakhKomZem.

12. Our community is 1.5 km from Mereya river, construction is now being started across the river. We'd like to know if the Project will affect our interests. The gardening period starts in 2004. What should we expect?

We examined your community. Soon we'll be ready to provide information on the Project's impact upon it. Most likely, the garden plots will be within the sanitary zone. The zone will be announced sanitary in the period of operation but not construction, which is till 2007. We apologize for the delay. We will provide the Mayor with this information first and then it will be available after a few weeks. Contact persons are Irina Grabovskaya and Alina Azizova.

13. There is a road Korsakov-Novikovo leading to the plant on the construction plan. What will be its length and topping?

Today the road is of 4th class. We are building a by-pass road to avoid negative impact. The existing road will undergo no changes except that it will be 2,5 km longer. 600 metres of the road before Mereya river will be rebuilt next year. This project is approved by Sakhavtodor.

14. What area will be taken up by the plant?

About 500 hectares. The area will be reduced to 112 ha after the builders' camp will be built down.

15. Where will 800m-zone of the beach be located (for close-down)?

From pier to pier.

16. Are there any possibilities for the town to have gas supply or purchase gas for people?

PSA stipulates that local people can have their gas share from the Project. The Company and the administration agreed that the gas can be used for the needs of the island and the Far East as far as Khabarovsk Territory. The administration asked to provide tapping points for further gasification. Two gas terminals will be constructed in the north and in the south-north area. The discussion today is where exactly the gas will go from the south terminal. Within the next 6 months we are going to agree on this point with the Russian party.