

SAKHALIN II PHASE 2 RESETTLEMENT ACTION PLAN

November 2005

Sakhalin Energy Investment Company Ltd

TABLE OF CONTENTS

ACRONYMS AND ABBREVIATIONS	16
EXECUTIVE SUMMARY	18
1 INTRODUCTION	24
1.1 BACKGROUND	24
1.2 SAKHALIN ENERGY	24
1.3 BRIEF DESCRIPTION OF THE PROJECT	24
1.4 GOALS AND OBJECTIVES OF THE RAP	25
1.5 SCOPE OF THE RAP	26
1.6 CLARIFICATIONS ON THE SCOPE	26
1.6.1 Sanitary Protection Zone	26
1.6.2 Delineation	27
1.6.3 Land Allocation for Construction and Operation Phases	27
1.6.4 Compensation and Entitlement Principles	28
1.6.5 Other Issues.....	28
1.7 ORGANISATION OF THE RAP	28
1.8 PROJECT IMPACTS	29
1.8.1 Total Land Required for Project Activities.....	29
1.8.2 Households and Enterprises Affected by Land Acquisition and Resettlement as a Result of Project Activities	30
1.8.3 Impact on Vulnerable Groups as a Result of Land Acquisition and Resettlement	31
1.8.4 Socio- Economic Impacts on Affected Households and Enterprises and Potentially Affected People.	33

1.9	STATUS OF IMPLEMENTATION	35
1.10	OTHER PROJECT SOCIAL AND ENVIRONMENTAL ASSESSMENT DOCUMENTS	35
1.11	GLOSSARY	36
2	SAKHALIN II PHASE 2 PROJECT DESCRIPTION	38
2.1	BACKGROUND	38
2.2	THE PROJECT	38
2.3	SUMMARY OF PROJECT LAND REQUIREMENTS	41
2.4	OFFSHORE FACILITIES	42
2.4.1	Offshore Platforms	42
2.4.2	Sub-Sea Pipelines	42
2.5	PERMANENT ONSHORE FACILITIES	43
2.5.1	Gas Disposition Terminal	43
2.5.2	Onshore Processing Facility	43
2.5.3	Gastello Booster Station	43
2.5.4	LNG Plant and Oil Export Terminal	43
2.6	PIPELINES	44
2.6.1	General	44
2.6.2	Pipeline Routes	44
2.6.3	Pipeline Construction Right of Way	44
2.6.4	Pipeline Land Requirements (Operations)	45
2.7	TEMPORARY CONSTRUCTION FACILITIES	46
2.7.1	Construction Camps	47
2.7.2	Laydown Yards	47

2.7.3	Support Bases	47
2.8	SANITARY PROTECTION ZONES AND SAFETY EXCLUSION ZONES	47
2.8.1	Safety Exclusion Zones	48
2.8.2	Sanitary Protection Zones.....	48
2.9	CONSIDERATION OF PROJECT ALTERNATIVES AND MEASURES TAKEN TO MINIMISE LAND ACQUISITION AND RESETTLEMENT	49
2.10	PIPELINE ROUTE CHANGES AND THE RAP	50
3	POLICY, LEGISLATIVE AND REGULATORY FRAMEWORK.....	51
3.1	INTRODUCTION	51
3.1.1	Land acquisition framework	51
3.2	RUSSIAN FEDERATION LEGISLATION RELATING TO LAND ACQUISITION.....	52
3.3	RIGHTS TO LAND REQUIRED BY THE PROJECT	54
3.3.1	Land Rights for Operation Phase.....	55
3.3.1.1	Ownership	56
3.3.1.2	Lease.....	56
3.3.1.3	Use Agreements.....	56
3.3.1.4	Servitude	56
3.3.1.5	Limitations	57
3.4	LAND OWNERSHIP AND TITLE.....	57
3.4.1	Registration.....	58
3.5	PROJECT AGREEMENTS	58
3.6	WORLD BANK/IFC INVOLUNTARY RESETTLEMENT POLICIES AND GUIDELINES	59
3.6.1	Operational Directive 4.30 on Involuntary Resettlement.....	59
3.6.2	Operational Directive (OD) 4.20 on Indigenous Peoples	60
3.6.3	International Finance Corporation Good Practice Manual on Public Consultation and Disclosure	61

3.7	COMPARISON OF RUSSIAN LEGISLATION AND OD 4.30 PRINCIPLES	61
3.7.1	Similar provisions as accorded by Russian Legislation and OD 4.30 principles.	61
3.7.2	Differences in the requirements of the Russian legislation and OD 4.30 principles	62
3.7.2.1	Eligibility for Compensation	62
3.7.2.2	Extent of Compensation and Resettlement Assistance	63
3.7.2.3	Attention to Vulnerable Groups	63
3.7.2.4	Market/Replacement Valuations of Structures/Crops	64
3.7.2.5	Grievance Procedure	64
3.8	PROJECT MEASURES TO SUPPORT COMPLIANCE WITH THE WORLD BANK GROUP POLICY REQUIREMENTS	64
3.9	FURTHER COMMENTS ON LEGISLATIVE FRAMEWORK AND SUMMARY OF SEIC LAND ACQUISITION STRATEGY	66
4	PROFILE OF PROJECT AFFECTED GROUPS.....	68
4.1	INTRODUCTION	68
4.2	PROFILE OF THE PROJECT AFFECTED HOUSEHOLDS	68
4.2.1	Distribution of Households	69
4.2.2	Infrastructure and Amenities	71
4.2.2.1	Access to Medical Facilities	71
4.2.2.2	Access to Education Facilities	72
4.2.3	Private Households Affected by Pipeline Construction	72
4.2.4	Farms.....	73
4.2.5	Dacha Community	74
4.2.6	Reindeer Herders.....	76
4.2.7	Subsistence Hunting, Fishing and Gathering of Forest Produce	76
4.3	PROFILE OF PROJECT AFFECTED ENTERPRISES	79
4.3.1	Agricultural Enterprises.....	79
4.3.2	Forestry Enterprises.....	80
4.3.3	Commercial Fishing Enterprises	80
4.3.3.1	Commercial Fishing in the Piltun-Lunskoye Offshore Area	81

4.3.3.2	Commercial Shell Fish Interests of North-East Sakhalin.....	82
4.3.3.3	Commercial Fishing Interests in Aniva Bay	82
4.3.3.4	Established Project Impacted Enterprises.....	82
4.3.4	Native Fishing Enterprises	84
4.3.5	Municipal Formations.....	85
4.3.6	Other Enterprises and Entities	85
4.4	PRIGORODNOYE BEACH USERS	85
4.5	VULNERABLE GROUPS.....	86
4.5.1	Pensioners	87
4.5.2	Low-Income Households	87
4.5.3	Non-Registered Land Users	88
4.5.4	Indigenous Peoples	88
4.5.4.1	Reindeer Herders	88
5	IMPACTS DUE TO LAND ACQUISITION AND RESETTLEMENT	90
5.1	TYPE OF IMPACTS.....	90
5.1.1	Impacts on Shelter/Land/Assets Requiring Resettlement.....	90
5.1.1.1	Background and Status of Affected Households	91
5.1.1.2	Key Findings.....	92
5.1.2	Impacts on Assets, Income, Livelihood and Socio-Economic Status	93
5.1.2.1	Pipeline Related Impacts.....	93
5.1.3	Impact On Commercial Fisheries.....	94
5.1.3.1	Impacts on Fish Resources	94
5.1.3.2	Socio-Economic Impacts on Fishing and Ancillary Industries	96
5.1.4	Impact on Prigorodnoye Dacha Community	97
5.1.4.1	Possible Impacts on the Dacha Communities	97
5.1.4.2	Other Concerns Raised by Dacha Communities.....	98
5.1.5	Impacts on Common Resources.....	98
5.1.5.1	Impacts on Spring and Summer Pastures Used by Reindeer Herders	98
5.1.5.2	Specific Issues - Land Tenure	99
5.1.5.3	Other Potential Impacts.....	100
5.1.5.4	Impacts on Forests and Fisheries Used for Recreation and Subsistence.....	100

5.1.5.5	Impact on Hunting	101
5.1.5.6	Impacts relating to Prigorodnoye Beach	102
6	ENTITLEMENT FRAMEWORK – COMPENSATION, SUPPLEMENTAL ASSISTANCE AND MITIGATION MEASURES	103
6.1	INTRODUCTION	103
6.2	PRINCIPLES FOR ENTITLEMENT	103
6.2.1	Future Land Requirement	105
6.2.2	Cut-off Date	105
6.3	ELIGIBILITY FOR COMPENSATION	105
6.3.1	General	105
6.3.2	Compensation to Fishing Enterprises	108
6.3.3	Compensation for Dachas/Dacha Owners	109
6.3.4	Compensation for the Beach	110
6.4	BASIS FOR VALUATION OF LOSSES	110
6.5	SEIC SUPPLEMENTAL ASSISTANCE PROGRAMME	111
6.5.1	General	111
6.5.2	Principles	111
6.5.3	Criteria for Provision of Supplemental Assistance	111
6.5.4	Process of Determining Land User's Eligibility	112
6.5.5	Forms of Supplemental Assistance	112
6.5.5.1	Supplemental Assistance to Dacha Community	114
6.5.5.2	Supplementary Assistance to Reindeer Herders	114
6.5.6	Special Assistance for Vulnerable Groups	115
6.5.6.1	Vulnerability due to Project Impacts	116
6.5.6.2	Other Vulnerable Groups	117
6.6	SUMMARY OF ENTITLEMENTS TO DATE	117
6.6.1	Compensation and Resettlement Activities for the LNG Plant/ Oil Export Terminal	117

6.6.2	Compensation for Landowners and Users Affected by the Pipeline and Associated Facilities	118
6.6.3	Mitigation Measures for Commercial Fishing Enterprises Affected by Marine Transport Facilities in Prigorodnoye (LNG Jetty, MOF, TLU)	120
6.6.4	Mitigation Measures for Impacts on Small-Scale Fishing including Indigenous Activities and Ancillary Industries.....	121
6.6.5	Mitigation Measures for Prigorodnoye Dacha Community.....	122
6.6.6	Mitigation Measures Directed Towards the Impacted Reindeer Herders	124
6.6.7	Mitigations for Forests and Fisheries Used for Local Recreation and Subsistence	126
7	LAND ACQUISITION PROCESS	128
7.1	GENERAL.....	128
7.2	LAND ACQUISITION PROCEDURE	128
7.3	PROCEDURE FOR LAND VALUATION AND COMPENSATION ASSESSMENT	128
7.3.1	Steps in the Process	128
7.3.2	Types of Loss Recognized for Compensation	132
7.4	PROCEDURE FOR PAYMENT	132
7.5	RESETTLEMENT PROCESS.....	133
7.6	ROLES AND RESPONSIBILITIES	133
7.7	INSTITUTIONAL ARRANGEMENTS.....	134
7.7.1	Social Performance Team (SPT)	135
7.7.2	Community Liaison Officers	135
7.7.3	Legal Team and Central Approvals Team	135
7.7.4	Project Teams.....	135
7.7.5	External Affairs.....	135
7.7.6	Management of RAP and SPT.....	136

8	CONSULTATIONS, DISCLOSURE AND GRIEVANCE REDRESSAL	138
8.1	SEIC PUBLIC CONSULTATION AND DISCLOSURE EFFORTS	138
8.1.1	SEIC Consultation Process Overview	138
8.2	COMPENSATION AND SUPPLEMENTAL ASSISTANCE CONSULTATIONS	139
8.2.1	Purpose	139
8.2.2	Phases of Consultations	141
8.2.2.1	Phase 1: Defining the Process and Identifying Potentially Affected Land Users	141
8.2.2.2	Phase 2: Clarification of Status; Administration of Questionnaire ..	142
8.2.2.3	Phase 3: Follow-Up Actions	143
8.3	CONSULTATIONS WITH SAKHALIN FISHERMEN	143
8.4	CONSULTATIONS WITH DACHA COMMUNITY	145
8.5	CONSULTATIONS WITH INDIGENOUS PEOPLE	147
8.5.1	Purpose and Objectives	147
8.5.2	Ongoing IP Consultations	147
8.5.3	Consultations with Reindeer Herders	148
8.6	RESETTLEMENT AND COMPENSATION CLAIMS PROCESS AND SEIC GRIEVANCE PROCEDURE	149
8.6.1	Resettlement & Compensation Claims Process	149
8.6.2	Grievance Procedure	149
9	MONITORING AND EVALUATION	152
9.1	RAP MONITORING FRAMEWORK	152
9.1.1	CLO Monitoring	153
9.1.2	Internal RAP Monitoring Activities	153
9.1.3	External RAP Monitoring Activities	154
9.2	RAP MONITORING SCHEDULE AND REPORTING	155

9.3	RAP MONITORING PERFORMANCE INDICATORS	155
9.4	SUMMARY OF MONITORING ACTIVITIES TO DATE	158
9.5	MONITORING THROUGH “IMPACT” AND GRIEVANCE TRACKING	158
10	COSTS AND BUDGETS	160
10.1	RAP BUDGET	160
10.2	SOURCE OF FUNDS	160
10.3	RESPONSIBILITY FOR DISBURSEMENT	160
11	SCHEDULE FOR IMPLEMENTATION	162
12	REFERENCES	163
12.1	LEGISLATIVE FRAMEWORK	163
12.2	INTERVIEWS.....	165
12.2.1	Public Interviews	165
12.2.2	Interview with Affected Land Users.....	165
12.3	INTERNET RESOURCES	165
12.4	MONOGRAPHS.....	166
12.5	STATISTICS	166

LIST OF TABLES

Table 0-01: Summary of Project Impacted Groups.....	27
Table 1-02: Total Land Needs	30
Table 1-03: Project Affected Vulnerable Groups	32
Table 1-04: Potentially Socio-Economically Affected Households and Enterprises (except where indicated, <i>estimated</i> figures for Aniva and Nogliki Districts).....	33
Table 1-05: Summary Schedule of Land Acquisition and Resettlement Activities.....	35
Table 1-06: Glossary of Some Key Resettlement Terms.....	36
Table 2-01: Summary of Project Land Requirements (Hectares)	41
Table 2-02: Construction Right Of Way Width	44
Table 2-03: Summary of Pipeline Land to be Leased for the Construction Period	45
Table 2-04: Estimated Land Requirement for Access	46
Table 2-05: Land Requirements for Temporary Construction Facilities.....	47
Table 2-06: Minimum Safety Distances for Sakhalin-II Project Pipeline Sections	49
Table 3-01: Selected Legislation Relevant to Land Acquisition and Resettlement.....	52
Table 3-02: Types of Interest in Land, Forms of Land Ownership and Tenure in the Russian Federation	57
Table 3-03: World Bank/IFC Policy and Guidelines Relevant to Sakhalin II Project RAP	59
Table 3-04: Objectives of Operational Directive 4.30 on Involuntary Resettlement.....	60
Table 3-05: Key Provisions of Operational Directive 4.20 on Indigenous Peoples.....	60
Table 3-06: Project Measures to Support Compliance with OD 4.30	65
Table 4-01: Summary of Project Affected Households/Persons and Enterprises as of May 2004	68
Table 4-02: Distribution of Project Affected People (PAPs) according to Project Components	70
Table 4-03: Distribution Across Communities.....	70
Table 4-04: Availability of Medical Services.....	71
Table 4-05: Distribution Across Income Levels.....	73
Table 4-06: Infrastructure of Stroitel and Teplovic Dacha Communities.....	75

Table 4-07: Calendar of Common Recreation and Subsistence Activities	76
Table 4-08: Types of Project Affected Agricultural Enterprise	79
Table 4-09: Summary of Individuals Employed at Calypso, Contract and Lenbok Commercial Fishing Enterprises.....	83
Table 4-10: Characteristics of Vulnerable Families in Project Area	86
Table 4-11: Summary of the Project Affected Vulnerable Groups	87
Table 4-12: Education Characteristics	89
Table 5-01: Status of Households Resettled from LNG Site.....	91
Table 5-02 Summary of Compensation for Households (Registered and Unregistered) Affected By LNG Plant/Oil Export Terminal.....	92
Table 5-03: Summary of Impacts Resulting from the Pipeline Construction and Operation .	93
Table 5-04: Prigorodnoye Dacha Communities	97
Table 5-05: Project Impacts on Spring and Summer Reindeer Pastures	99
Table 6-01: Entities Eligible for Project Compensation.....	106
Table 6-02: Eligibility to Receive Compensation.....	106
Table 6-03: Compensation for Third Party Users	107
Table 6-04: Criteria for Determining Eligibility to Receive Supplemental Assistance	112
Table 6-05: Form of Supplemental Assistance	113
Table 6-06: Summary of Project Special Assistance to Vulnerable Groups	115
Table 6-07: Distribution of vulnerable households according to degree of impacts.....	116
Table 6-08: Summary of Entitlements for Households (Registered and Unregistered) Affected By LNG Plant/Oil Export Terminal.....	117
Table 6-09: Summary of Compensation for Small Landowners and Users (Registered and Unregistered) Affected by the Pipeline and Associated Facilities	118
Table 6-10: Prigorodnoye Dacha Community Mitigation Measures: Status as of August 2005	123
Table 6-11: Other Mitigation Measures.....	125
Table 7-01: Steps in the Compensation/Supplemental Assistance Process	129
Table 7-02: Land Acquisition and Resettlement Roles and Responsibilities	133
Table 8-01: SEIC's Ongoing Consultation Programme	139

Table 8-02: Consultations Process Summary up to 2004.....	140
Table 8-03: Issues related to Compensation and Supplemental Assistance	141
Table 8-04: Phases of Consultations	141
Table 8-05: Categories of Questions	142
Table 8-06: Meetings between SEIC and Sakhalin Association of Fishermen (ARS) until 2003	144
Table 8-07: Key Meetings and Activities relating to Prigorodnoye Dacha Communities in 2004-2005	145
Table 8-08: Consultations with Dacha Communities	146
Table 8-09: Facilitated Workshops with the Reindeer Herders (2004-2005)	149
Table 9-01: RAP Monitoring Reports	155
Table 9-02: RAP Monitoring Performance Indicators	155
Table 10-01: Budget for Private Land Acquisition and Resettlement	161

LIST OF FIGURES

Figure 2-01: Overview of the Sakhalin-II Project: RAP Project Affected Areas	40
Figure 4-01: Access of the PAFs to Various Types of Medical Facilities, %	71
Figure 4-02: Types of Transport Facilities and Access of the Project Affected Families, % ..	72
Figure 4-03: Age Characteristics, %	72
Figure 4-04: Map Illustrating LNG/OET Construction and Stroitel and Teplovic Dacha Communities	75
Figure 4-05: Map Illustrating Project Activities and Amend Where Subsistence Hunting, Fishing and Gathering].....	78
Figure 4-06: Water Areas of LNG/Oil Export Terminal Construction and Commercial Fishing	84
Figure 4-07: Age Characteristics of Herders in %	89
Figure 7-01: SEIC Land Acquisition Process	131
Figure 7-02: Organisational Arrangements	137
Figure 11-01: RAP Schedule.....	162

ACRONYMS AND ABBREVIATIONS

(C)GBS	(Concrete) Gravity Base Structure
(Monitoring) Handbook	Project Social Compliance Monitoring Handbook
CEO	Chief Executive Officer
CLO	Community Liaison Officer
EA	External Affairs
ESHIA	Environmental, Social and Health Impact Assessment
GP	Grievance Procedure
HR	Human Resources
HSE	Health, Safety and Environment
HSESAP	Health, Safety, Environmental and Social Action Plan
IP	Indigenous Peoples
IUP	Infrastructure Upgrade Project
KPI	Key performance indicators
LNG (Plant)	Liquefied Natural Gas (Plant)
NGO	Non-governmental organization
OD	Operational Directive
OET	Oil Export Terminal
OPF	Onshore Processing Facility
PAP	Project-affected people
PCDP	Public Consultation and Disclosure Plan
PLA	Preliminary Land Allocation
PLT	Project Leadership Team
PM	Project Manager
PSA	Production Sharing Agreement
RAP	Resettlement Action Plan
RF	Russian Federation
ROW	Right-of-way
SD	Sustainable Development
SEIC	Sakhalin Energy Investment Company, Ltd.
SELT	Sakhalin Energy Leadership Team
SIA	Social Impact Assessment
SIAA	Social Impact Assessment Addendum
SIMDP	Sakhalin Indigenous Minorities' Development Plan
SIMP	Social Impact Monitoring Programme

SPT
SPZ

Social Performance Team
Sanitary Protection Zone

EXECUTIVE SUMMARY

Resettlement Summary

The Sakhalin II Project Resettlement Action Plan (the “RAP”) describes the policy framework and procedures that are being followed to address land acquisition and resettlement required for construction and operation of the Project. The RAP contains compensation and mitigation measures for the Project affected people (“PAP”) and enterprises.

The Company expects to acquire rights to 4,850 hectares of land for a 3-year period to enable it to construct the natural gas and crude oil production infrastructure. Some additional land area (about 275 hectares) will be required for periods of 6 months to five years for temporary construction facilities and construction phase Safety and Sanitary Protection Zones. Depending on the final design of the pipeline, the Project will require 254 hectares of land for permanent facilities.

In addition to those required to relocate, SEIC has identified particular groups of PAP that may be socio-economically impacted by Project activities. As summarised below, these potentially include dacha communities located outside the LNG Sanitary Protection Zone, commercial fishing enterprises, ancillary industries and native fishing enterprises. Groups that are identified as being particularly vulnerable will require particular attention to ensure that they are fully able to benefit from the compensation entitlements and other mitigation measures to be supported by the Project.

Table 0-01: Summary of Project Impacted Groups

Group of PAP	Summary of PAP impacted by land acquisition, resettlement and socio-economic displacement	Commentary
Project Impacted Households	<p>In total 125 households (432 individuals) will be affected by both permanent and temporary land loss.</p> <p>117 households (409 individuals) will be affected by temporary loss of land during the three-year pipeline construction period.</p> <p>10 households (27 individuals) will permanently lose land and structures to make way for permanent above-ground facilities or associated Sanitary Protection Zones and Safety Exclusion Zones.</p> <p>100 dacha owners may potentially be socio-economically impacted.</p>	<p>All households have been relocated from existing dwellings to replacement land and housing apart from one household that was affected by the pipeline Sanitary Protection Zone. This household shall be relocated once operations commence.</p>

Group of PAP	Summary of PAP impacted by land acquisition, resettlement and socio-economic displacement	Commentary
Farms	The land of fifteen farms (50 individuals, mostly family members) will be affected by construction of Project facilities.	<p>The total of 15 farms includes 2 farms (5 individuals) which have been forced to relocate as a result of the LNG/Oil Export Terminal or Sanitary Protection Zone.</p> <p>In most cases, the Project affects no more than 5% to 10% of each farmer's land. In the three most severely impacted cases, where over 25% of the farms' land was affected, compensation was paid for lost income for the whole of the plot of land.</p>
Dacha communities	<p>Four dacha summer users (11 individuals) have been forced to relocate as a result of the LNG/Oil Export Terminal and due to temporary pipeline construction needs.</p> <p>100 dachas (approximately 300 individuals) from 2 dacha communities have been identified as potentially impacted with socio-economic displacement.</p>	<p>The 4 dacha summer users forced to relocate have agreed to waive their land rights.</p> <p>The 100 dacha owners that fall outside the 1km SPZ have however been identified as potentially impacted with socio-economic displacement. Discussions with dacha communities are scheduled to take place in November.</p>
Reindeer Herders	The Project construction land needs will affect five reindeer herder families (57 individuals) belonging to the Uilta and Evenk communities (primarily Uilta).	Reindeer herders are considered to be a vulnerable group of PAP and as such may require particular attention to ensure they are fully able to benefit from compensation entitlements and other mitigation measures to be supported by the Project.
Subsistence Hunting Fishing and Gathering	The Project will only impact a very small proportion of the forests and fisheries areas that are utilized by local people for recreational and subsistence activities.	Many of the permanent facilities are in remote areas that are not readily accessible to communities for subsistence uses. Losses in forest and berry fields resulting from the pipeline will be very localized.
Recreation – Prigorodnoye Beach users	Construction of the LNG Plant/ Oil Export Terminal requires the withdrawal of part of the Prigorodnoye Beach.	Prigorodnoye is a summer recreation area popular with local residents. Full closure has been avoided. SEIC has agreed to pay compensation of USD 800,000 to the Korsakov Administration to support park reconstruction in lieu of the impact on the Prigorodnoye beach.

Group of PAP	Summary of PAP impacted by land acquisition, resettlement and socio-economic displacement	Commentary
Project Impacted Enterprises	<p>66 enterprises will be affected by the Project as a result of direct Project land needs.</p> <p>The Company estimates that approximately 61 enterprises (between 1963 to 8635 individuals depending on season) may be potentially socio-economically impacted.</p>	<p>Of the 66 enterprises affected as a result of direct Project land needs, 13 enterprises will permanently lose land and structures to make way for permanent above-ground facilities or associated Sanitary Protection Zones and Safety Exclusion Zones.</p> <p>The 61 enterprises that may be socio-economically impacted include commercial fisheries, ancillary industries and native enterprises.</p>
Agricultural	Pipeline construction will impact 16 agricultural enterprises.	These enterprises will experience short-term loss of use of parts of their agricultural land. Where land falls within the Sanitary Protection Zones and Safety Exclusion Zones enterprises will be able to continue their pre-Project agricultural activities.
Forestry	The Project land needs affect a very small proportion of lands managed by nine state forestry enterprises.	70% of the pipeline right of way is located in State Forestry Fund land.
Commercial Fishing Enterprises	<p>Three commercial fishing enterprises (employing 90 permanent and 370 temporary workers) have already been identified as being impacted by the Project (the construction and operation of the LNG/OET in Prigorodnoye).</p> <p>It is estimated that up to 40 commercial enterprises (between 1200 to 6120 individuals depending on season) in Aniva Bay (including small enterprises and ancillary industries such as fish processing and transport) and 14 (between 420 to 2142 individuals depending on season) in the Nogliki region (with one estimated ancillary industry could suffer socio-economic impacts as a result of the Project).</p>	<p>One commercial enterprise lost land previously used for a fisherman's camp and was compensated. The two other companies potentially face some impacts due to an overlap of 3% and 28% respectively of the Project impacted area with the agreed fishing water area.</p> <p>The Company acknowledges that small fishing enterprises including ancillary industries and native fishing enterprises may also suffer socio-economic impacts as a result of Project activities. Further surveys on the numbers of these enterprises are planned in December 2005 to January 2006.</p>

Group of PAP	Summary of PAP impacted by land acquisition, resettlement and socio-economic displacement	Commentary
Native Fishing Enterprises	It is estimated that 6 Nogliki enterprises of 42-72 people are involved in native (IP) fishing enterprises.	<p>Further information on native fishing enterprises will be available following completion of the 2005 IP survey.</p> <p>Potential socio-economic impacts on native fishing enterprises will be better known following the completion of the IP survey. Due to the low level of impact on fish resources as a result of Project activities, as discussed in the RAP, the key source of likely socio-economic impacts will be ecological impacts such as oil spills.</p>
Municipal	The Project construction and operation area affects land of 27 municipal formations and of the Administration of the Sakhalin Region. Affected formations include 10 districts, 14 rural districts, 3 settlements and the Sakhalin Region Administration.	Municipal land affected by the Project is generally remote from settlements and unutilised. The total area of municipal formation land affected by the Project is 2005 hectares.
Other Enterprises	Project land requirements will affect small areas of land controlled by state ministries, departments or government agencies. This category includes 11, predominantly state entities.	Lands of state organisations affected by the Project are presently unutilised so there is no significant impact on assets or livelihoods. Land of transport and railway enterprises is generally only affected at crossings where the pipeline is required to pass under existing road or rail infrastructure.
Vulnerable Groups	About 89% of the Project affected households are assessed as potentially vulnerable. Of the 125 households who have been identified as a Project affected families, 72-75 families have been identified as vulnerable.	<p>Vulnerable PAP fall into four categories: elderly households, low income households, non-registered land users and reindeer herders.</p> <p>Vulnerable groups may require particular attention to ensure they are fully able to benefit from compensation entitlements and other mitigation measures to be supported by the Project.</p>

A total of approximately USD 28 million has been budgeted for private land acquisition and resettlement compensation. Of the total USD 28 million, USD 775,000 will be set aside for claims under the Supplemental Assistance Programme. This will include approximately USD 350,000 budgeted for compensation that is paid as a result of socio-economic impacts. This amount may be adjusted to reflect the actual extent and nature of potential socio-economic impacts. In addition to this, USD 360,000 has been allocated to cover the costs of meeting monitoring and reporting commitments. A complete breakdown of the SEIC Land Acquisition and Resettlement budget is provided in the RAP.

In addition to those required to relocate, SEIC has identified particular groups of PAP that may be impacted by Project activities. As summarised above, these include dacha communities located outside the LNG Sanitary Protection Zone, Reindeer herders, subsistence hunters and gatherers and agricultural, forestry and commercial fishing enterprises. Groups that are identified as being particularly vulnerable will require particular attention to ensure that they are fully able to benefit from the compensation entitlements and other mitigation measures to be supported by the Project.

Objectives of the RAP

Based on the assessment of the impacts of the Project, the RAP aims to ensure that people and enterprises affected by the Project are compensated for any loss of property and/or socio-economic displacement as a result of the Project in accordance with World Bank Operational Directive (OD) 4.30 without prejudice to the Russian Federation legislation. The Company will ensure that appropriate mitigation measures for local communities are in place and will provide PAP with the opportunity to restore or improve their living standards and income earning capacity to at least pre-project levels.

These goals will be realised through the following objectives:

- Minimise land acquisition (temporary and permanent) in order to minimise livelihood impacts and physical relocation of people;
- Where acquisition cannot be avoided, carry out land acquisition and resettlement in accordance with the laws and regulations of the Russian Federation, the Sakhalin II Project Production Sharing Agreement (PSA), and World Bank/International Finance Corporation (IFC) OD 4.30 on Resettlement;
- Undertake land acquisition through following the principles of OD 4.30, with powers of eminent domain to be used only as a last resort;
- Compensate PAP in accordance with the compensation norms set out in the legislation and regulations of the Russian Federation, except in specific cases where requirements under OD 4.30 are more extensive, in which case the Project shall establish entitlements in accordance with its principles;
- In cases of permanent land acquisition, and where feasible, offer landowner and users the option of replacement land;
- Pay special attention to vulnerable and disadvantaged groups including those without formal title to land;
- Conduct full and thorough consultation with affected people throughout the land acquisition and resettlement process;
- Monitor the full and effective implementation of the RAP; and
- Wherever possible, explore avenues for affected people to participate and benefit from the Project's construction and operations.

In some circumstances, obligations to compensate or assist PAP as defined by World Bank OD 4.30 are more extensive than required under Russian Federation legislation. The Company has established a Supplemental Assistance Programme specifically to provide compensation to people and households who may not be eligible under Russian Law, but who need to be compensated to assist in experiencing unforeseen difficulties as a result of project activities, and to augment livelihood restoration activities where necessary.

The World Bank policies on resettlement place particular emphasis on the need to involve PAP in resettlement planning. Consultations carried out by the Company have been thorough and extensive. Project affected households have been consulted about their preferences for compensation and have been offered alternatives regarding the form of assistance that they

receive, the process of receiving it and, where applicable, the locations they would like to be relocated to.

Monitoring and Compliance

Periodic monitoring of the effectiveness of actions described in the RAP and compliance with World Bank OD 4.30 will be completed in a timely and efficient manner. CLOs will perform field based monitoring using the SEIC Social Compliance Monitoring Handbook and surveys will be carried out internally by the Social Performance Team and externally by an independent resettlement specialist on a semi-annual basis for a period of 36 months following the completion of construction.

Should an individual or group of PAP have a claim relating to resettlement and compensation issues, SEIC have established the Resettlement and Claims Compensation Process. This process will be publicised amongst PAP by CLOs to ensure that they fully understand their rights to claim. Monitoring will also ensure that grievances lodged through the Company's Grievance Procedure are followed through and that, where necessary, appropriate corrective action is implemented.

The implementation of the RAP is the responsibility of the Social Performance Team. The External Affairs Manager, who is a member of the SEIC Leadership Team, will oversee the management of the RAP. A Social Performance Manager who will assume day-to-day responsibility for RAP issues is in the process of being appointed.

1 INTRODUCTION

1.1 BACKGROUND

The Sakhalin II Project Resettlement Action Plan (hereinafter referred to as the “RAP”) describes the policy framework and procedures that are being followed to address land acquisition and resettlement required for construction and operation of the Sakhalin II Phase 2 Project (the “Project”).

This RAP forms part of the overarching corporate commitment to health, safety and environmental performance by the Project operator, Sakhalin Energy Investment Company Ltd.

The RAP has been prepared in accordance with the World Bank Group’s Operational Directive 4.30 on Involuntary Resettlement (OD 4.30). This is a part of the operator’s commitment to ensure that Project-related resettlement follows good international practice and meets the requirements of international financing institutions.

1.2 SAKHALIN ENERGY

Sakhalin Energy Investment Company Ltd. (“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.

SEIC’s shareholders as of July 2005 are Royal Dutch Shell plc (55%), Mitsui & Co., Ltd. (25%) and Mitsubishi Corporation (20%). Shell is a global leader in liquefied natural gas (LNG) projects, with the experience of developing five LNG projects around the world. Both Mitsui and Mitsubishi are leading Japanese trading houses that are actively involved in energy related development in the former Soviet Union and the import of LNG to Japan.

In July 2005 Gazprom and Shell signed a Memorandum of Understanding (MOU) in relation to an asset-swap through which Gazprom will acquire a 25% plus one share in SEIC and Shell will acquire a 50% share in the Zapolyarnoye Neocomanian field. The deal will not be concluded before 2006.

The Sakhalin II project development will require investment of some US\$20 billion. SEIC’s shareholders have provided the majority of this investment, while additional debt funding is being sought from the following institutions: European Bank for Reconstruction and Development (EBRD), Japanese Bank for International Cooperation (JBIC) and commercial bank funding under coverage from the Export Credit Agencies (ECAs), US Ex-Im and ECGD. The delivery of the RAP will be a condition precedent to disbursement of funds under the financing agreements (the “Finance Documents”).

1.3 BRIEF DESCRIPTION OF THE PROJECT

The Project is being developed under a Production Sharing Agreement (PSA) that was concluded in 1994 between the Russian Federation (RF) (represented by the Government of the Russian Federation and the Sakhalin Oblast Administration) and SEIC.

Sakhalin II is a phased development. Phase 1, an oil-only development, went into production in 1999. It is developed around the Molikpaq offshore production platform and produces oil during ice-free months (approx 180 days/year). The oil is currently transported by tanker to Asia-Pacific markets.

Phase 2 is an integrated oil and gas development that will allow year-round oil and gas production. Phase 2 involves the installation of two additional production and

drilling platforms, PA-B at Piltun (oil and gas) and LUN-A at the Lunskeye field (for gas and condensate/oil rim production).

The oil and gas will be transported about 800km by pipeline to processing and export facilities at Prigorodnoye, which is at the southern end of Sakhalin Island. The facilities at Prigorodnoye will form Russia's first LNG and production export terminal. A detailed project description has been included in Section 2.

1.4 GOALS AND OBJECTIVES OF THE RAP

This RAP was prepared by SEIC's Social Performance Team (SPT). The SPT worked in close cooperation with environmental experts from SEIC's HSE Department, the Land Acquisition team from SEIC's Approvals Department, SEIC Legal team and Community Liaison Officers based in communities along the pipeline route. Based on the assessment of the impacts of the project, the RAP has the following goals:

- To ensure that people and enterprises affected by the Project are compensated for any loss of property and/or socio-economic displacement as a result of the Project in accordance with World Bank Operational Directive (OD) 4.30 without prejudice to the RF legislation;
- To ensure appropriate mitigation measures for the project impacts on the local communities; and
- To provide affected people with the opportunity to restore or improve their living standards and income earning capacity to at least pre-Project levels.

The RAP was prepared between August 2003 and November 2005 by the SPT in consultation with international resettlement specialists. The RAP contains compensation and mitigation measures for the Project affected People (PAPs) and lays down the regulatory framework in the Russian Federation guiding these compensation principles as well as follows the guidelines of OD 4.30 to ensure the above stated objectives. The processes and systems to implement the RAP are laid down along with a schedule for implementation and monitoring and evaluation procedures to ensure that the RAP is implemented in its true spirit.

These goals will be realised through the following objectives:

- Minimise land acquisition (temporary and permanent) in order to minimise livelihood impacts and physical relocation of people;
- Where acquisition cannot be avoided, carry out land acquisition and resettlement in accordance with the laws and regulations of the Russian Federation, the Sakhalin II Project Production Sharing Agreement (PSA), and World Bank/International Finance Corporation (IFC) OD 4.30 on Resettlement;
- Undertake land acquisition through following principles of OD 4.30, with powers of eminent domain to be used only as a last resort;
- Compensate PAP in accordance with the compensation norms set out in the legislation and regulations of the Russian Federation, except in specific cases where requirements under OD 4.30 are more extensive, in which case the Project shall establish entitlements in accordance with its principles;
- In cases of permanent land acquisition, and where feasible, offer landowner and users the option of replacement land;
- Pay special attention to vulnerable and disadvantaged groups including those without formal title to land;
- Conduct full and thorough consultation with affected people throughout the land acquisition and resettlement process;

- Monitor the full and effective implementation of the RAP; and
- Wherever possible, explore avenues for affected people to participate and benefit from the Project's construction and operations.

1.5 SCOPE OF THE RAP

Besides preliminary activities carried out during the Social Impact Assessment process, specific activities undertaken in preparing the RAP included the following:

- Review of RAP practices and documentation for similar oil and gas projects;
- Review of the prevailing Russian Federation legislative regime relevant to land acquisition, compensation and resettlement, with analysis to identify gaps with respect to OD 4.30 principles and requirements;
- Establishment of project goals and objectives for the resettlement programme;
- Interviews with government agencies with responsibilities for land and land registration;
- Completion of a census of Project affected households and enterprises;
- Socio-economic surveys of Project affected populations where possible;
- Survey of Project affected lands and inventory of affected structures, land attachments, other immovable assets and infrastructure;
- Assessment of potential impacts on land, assets, access to natural resources and livelihoods arising from Project activities;
- Development of a compensation framework (compensation and valuation principles, eligibility, entitlements) based on Russian Federation legislation and normative standards, and OD 4.30 principles;
- Definition of project resettlement activities and implementing responsibilities;
- Establishment of a Supplemental Assistance Programme and determination of principles for eligibility;
- Provision of training to Project staff on compensation and resettlement principles;
- Consultation with Project affected households, groups and enterprises through surveys, group discussions and interviews and incorporation of feedback into RAP planning;
- Estimation of resettlement costs and budgets; and
- Preparation of the current RAP to document resettlement activities for public disclosure.

1.6 CLARIFICATIONS ON THE SCOPE

The sections below provide a brief context within which the RAP should be read. The scope of the RAP has been modified to accommodate recent discussions with both PAP and Russian regional and federal authorities which have modified initial impact assessments and Russian legislation which is yet to be introduced which will clarify the existing legal framework governing land rights.

1.6.1 Sanitary Protection Zone

The extent of the operations phase Sanitary Protection Zone to be imposed around the LNG plant / Oil Export Terminal as required under the Russian Federation Sanitary Welfare Norms and Regulations (SanPiNs) has been set at 1km. This avoids

the need for resettlement of any household adjacent to the LNG site other than those households relocated in 2003.

1.6.2 Delineation

In accordance with Chapter 3 of the RF Land Code, land in the Russian Federation can be private land (owned by individuals), municipal land (owned by local municipalities) or state land (owned by Federal or Oblast executive).

Article 16 of the RF Land Code established that delineation of all land into the property of the Russian Federation, subjects of the Russian Federation or municipal authorities should be carried out in accordance with the Federal Law On Delineation. Consequently, the delineation process is to be carried out in relation to all non-private land in Russia. Just like private land plots, every other land plot in the country should be defined (land marked and recorded in the cadastre accounting system) and registered with the Registration Authority for registration of rights to real estate and transactions with real estate.

The Introductory Law to the Land Code permits local municipalities to manage within the limits of their authority, for example lease out, non-delineated land prior to state delineation of lands.

Federal Law On Delineations #101-FZ dated July 17, 2001, established the general procedure for delineation of lands in the RF. Implementing sub-normative legislations was also adopted, such as the Decree of the RF Government #140 dated March 4, 2002 "Concerning the Rules of preparation and approval of lists of land plots, which are respectively covered by the emerging ownership rights of the municipal authorities, Oblast or Federal level of authority".

To date, the land on Sakhalin has not been delineated. Hence for construction purposes and in case of appropriate land categories, SEIC has or will enter into arrangements with the local municipalities.

1.6.3 Land Allocation for Construction and Operation Phases

In the context of the project and the RF land legislation, "allocation of land" is the common term used to describe the complex process comprising of a number of statutory procedures starting with SEIC's application to the appropriate authority for allocation of land for construction and/or operation of an industrial facility and concluding with allocation of such land to SEIC and state registration of ensuing rights. The process of state registration will be managed by SEIC, including payment of state fees for the registration. SEIC has or will apply to the responsible state agencies and bodies of local governance for allocation of land for construction and operation of the Phase-2 facilities. In addition, SEIC will complete various mandatory procedures associated with the land allocation process. Specialised contractors will be involved where necessary to complete the process. Also in accordance with Article 31 of the Land Code, it is the local administration that must identify and notify land users, landowners and other affected land tenants of the project land allocation.

The principle form of land rights for the period of operations will be lease. Ownership as a form of land rights cannot be available to SEIC as per Article 15.3 of the Land Code. In Rights of Way (ROW) sections of non-forest lands of Forest Fund, where lease rights cannot be obtained by SEIC, rights of use in accordance with the Forest Code Article 63 will be obtained. In addition, there may be ROW sections where neither lease nor use rights for the operations stage can be allocated to the Project by the authorised agencies. In those cases, SEIC will rely on the statutory protections arising out of safety and sanitary regulations following completion of construction of an industrial facility with a certain level of hazard attached to it. Such rights, including

statutory limitations, are subject to registration with the State Registration Chambers in accordance with the current legislation.

Legislation is subject to change and further development (e.g. delineation) and mechanisms to be used by SEIC in the land allocation process will need to adapt to these future changes. All the relevant legislation has been highlighted in Section 3 of the RAP.

1.6.4 Compensation and Entitlement Principles

The principles and methodology used for calculating losses and subsequent entitlements to be granted to every PAP will be uniform throughout the project. The type and degree of impact will determine the entitlements that are to be provided.

The extent/amount of compensation offered by the Project to affected landowners and users will depend on the amount and type of land and/or assets that are impacted. Landowners and users will be compensated for any rights to land that are surrendered, or for losses resulting from restrictions or loss of use, as provided for under Russian Federation legislation and World Bank OD 4.30. A detailed entitlement framework along with methods of valuation are provided in Section 6 of the RAP.

1.6.5 Other Issues

Certain types of impacts and losses have not yet been ascertained. For example the nature and extent of “exclusion” and “safety zones” to be applied around Project offshore works during operations, have yet to be finalised and therefore the curtailment of any fishing operations and impacts on livelihood because of these cannot be defined more accurately at this stage. Compensation will be provided in accordance with Russian legislation and OD 4.30 for any loss of profits and any loss incurred as a result of socio-economic impacts resulting from the application of such “exclusion” and “safety zones”. This would occur once the nature of restrictions and their geographical extent have been finally determined by the responsible Russian authorities. Other impacts on fishing have been ascertained and compensated and mitigation measures for the same are included in Sections 6.3.2, 6.6.3 and 6.6.4.

1.7 ORGANISATION OF THE RAP

The scope and content of the chapters that make up the RAP are summarised in the following table.

Table 1-01: Organisation of the RAP

Topic	Description	Section
Executive Summary	The short description of RAP	
Introduction	A brief overview of the Project, its sponsors, its impacts on land and people as well as a statement of the goals and objectives of the RAP	1
Project Description	A summary description of the project components including the offshore upstream works, the onshore oil and gas pipelines and related facilities, and the LNG Plant/Oil Export Terminal	2
Policy, Legislative and Regulatory Framework	An outline of the policy and legislative framework governing project land acquisition, resettlement and associated compensation	3
Profile of Project Affected Groups	A brief profile of each of the groups of people affected by Project land acquisition and resettlement	4
Impacts due to Land Acquisition and Resettlement	A discussion of the various direct and indirect impacts emerging as a result of the project activities.	5

Topic	Description	Section
Entitlement Framework and Mitigation Measures	Provides the framework for eligibility for compensation and Supplemental Assistance, determines the kind of compensation and assistance to be provided for project impacts and describes other mitigation measures.	6
Land Acquisition and Resettlement Process	Outlines the Process for land acquisition and resettlement as adopted by SEIC for the project.	7
Consultation, Disclosure and Grievance Redressal	A description of the consultation and disclosure activities that have been carried out during RAP preparation and the avenues that are available to PAP for grievance redress.	8
Monitoring and Evaluation	A description of resettlement monitoring roles, activities and reporting requirements	9
Costs and Budget	A summary of costs and the Project budget for compensation and resettlement.	10
Schedule for Implementation	A summary of the timing and principal milestones for resettlement and monitoring activities	11
References	Provides list of references in the text as well as web sites consulted.	12

The following supplementary information is provided in Annexures:

- Annexure A (Section 5): Note on Fisheries;
- Annexure B (Section 6): Methodology for Calculation of Compensation and Supplemental Assistance;
- Annexure C (Section 6): Supplemental Assistance Questionnaire; and
- Annexure D (Section 8): Information Leaflet on the Grievance Procedure.

1.8 PROJECT IMPACTS

Details on households and enterprises that will be directly impacted as a result of land acquisition and resettlement required for project activities are set out below. However, there are other potential indirect impacts on land, assets, access to natural resources and livelihoods a result of project activities. A full description of Project Affected groups and potentially affected people are set out at Section 4.

1.8.1 Total Land Required for Project Activities

The vast majority of the land required for the Project is non-delineated state or municipal land. Less than 3 percent (about 151 hectares) of the land required either temporarily or permanently by the Project is in private ownership.

The Company expects to acquire rights to 4,850 hectares of land for a three year period to enable it to construct the natural gas and crude oil production infrastructure. Some additional land area (about 275 hectares) will be required for periods of six months to five years for temporary construction facilities and construction phase Safety and Sanitary Protection Zones. In accordance with its obligations under the Finance Documents, the Project will use reasonable endeavours to obtain long-term rights to land required for Project operations (please see Section 3.3.1 for more details of rights to land during operations.)

Upon construction completion, it is expected that most landowners and users will be able to resume their pre-project activities on this land, subject to some restrictions (please see Sections 1.6 and 3.3.1 for more details).

The Project will, depending on the final design of the pipeline, require 254 hectares of land for permanent facilities. These include pipeline above ground installations (block

valve stations, valves), the Onshore Processing Facility (OPF), Prigorodnoye Oil and LNG Storage and Export Facility and others. Owners and users of this land will receive rights to equivalent replacement land or, in accordance with World Bank OD 4.30, monetary compensation at replacement value, together with associated costs such as transport.

Table 1-02: Total Land Needs¹

Project Component	Land to be Temporarily Acquired for Construction (Ha)	Land to be Permanently Acquired (Ha)	Land subject to Restrictions of Use - Protection / Sanitary Zones (Ha) ^{***}
Pipeline	3,520	TBD*	24,509
OPF	253	64	120
LNG Plant/Oil Export Terminal	314	190	1,500
Temporary construction facilities **	274.7		
Total	4,361	254^{***}	26,129

*To be determined following resolution of the mechanism for acquiring rights to land necessary for pipeline operations. At this stage SEIC anticipates that permanent land rights may only be granted for 150 block valves. Each station requires 1 hectare.

** Includes construction camps, lay down yards, support bases, sidings and the like to be acquired on short-term leases

*** Estimates of land to be subject to restrictions are conservatively high - actual extent of Safety and Sanitary Protection Zones will be determined by the Russian authorities prior to operations commencement

1.8.2 Households and Enterprises Affected by Land Acquisition and Resettlement as a Result of Project Activities

Based on currently available information, about 125 households (about 432 affected individuals) and 66 enterprises will be affected by land acquisition and resettlement as a result of the Project. Of these, about 117 landowners and users (409 individuals) will experience short-term or temporary loss of use of all or part of their land for the three-year construction period, but thereafter will be able to resume most of their pre-Project productive activities.

Complete figures on numbers of Project affected households and persons including details of numbers of individuals affected is set out at Table 4-01. In summary, the following households and enterprises have been affected by land acquisition and resettlement for Project activities²:

10 households (27 individuals) including 2 farms and 13 enterprises will permanently lose land and structures to make way for permanent above-ground facilities or associated Sanitary Protection Zones and Safety Exclusion Zones. These households can be broken down as follows:

¹ Further information on land requirements for the Project are set out at Section 2.

² Cross-references to Table 4-01 have been provided in brackets. The rows in Table 4-01 are marked letters A-J. The columns in Table 4-01 are numerated numbers 1-15.

- 4 permanent households (11 individuals) – 3 households (7 individuals) (A4) directly by the LNG/OET terminal and 1 household (4 individuals) (D4) due to pipeline Sanitary Protection Zone;
- 2 farms (5 individuals) - 1 farm (2 individuals) (A7) directly due to the LNG/OET terminal and 1 farm (3 individuals) (B7) due to LNG Sanitary Protection Zone; and
- 4 dacha summer users (11 individuals) - 2 dachas (7 individuals) (A5) directly due to the LNG/OET terminal and 2 dachas (4 individuals) (C5) due to temporary pipeline construction needs. These individuals have waived their land rights.

Of the permanent affected households 6 households (16 individuals) (A4+A5+A7), most were affected by permanent land acquisition for the LNG/OET Terminal.

All above listed households and/or farmers have been relocated from existing dwellings to replacement land and housing apart from one household that was affected by the pipeline Sanitary Protection Zone. This household will be relocated once operations commence.

1.8.3 Impact on Vulnerable Groups as a Result of Land Acquisition and Resettlement

SEIC social specialists have identified certain Project-affected “vulnerable groups” that may require particular attention to ensure they are fully able to benefit from compensation entitlements and other mitigation measures to be supported by the Project. Vulnerability has been defined using certain parameters. These parameters include households headed by elderly people on a pension, low income (below poverty level) households, those utilising land without any legal rights or indigenous people such as the reindeer herders. The following vulnerable categories were identified during Project socio-economic surveys*:

Table 1-03: Project Affected Vulnerable Groups

Category	Reason for Vulnerability
Pensioners	<ul style="list-style-type: none"> - Low level of mobility - High dependency on garden plot cultivation - Pensions lower than subsistence minimum
Low-income households	<ul style="list-style-type: none"> - Dependency on garden plot cultivation - Often unregistered or informal users - High unemployment and low level of economic activity in poor communities where they tend to live
Non-registered land users	<ul style="list-style-type: none"> - No legal rights under Russian law to claim compensation - May be dependent on land use for subsistence (e.g., dairy farming, crop cultivation, reindeer herding)
Reindeer herders³	<ul style="list-style-type: none"> - Reindeer herders have no legal rights to their spring and summer pastures nor legal entitlement to compensation - Spring and summer pastures will be subject to direct impacts from the Project - Herding activities may also be impacted indirectly as a result of increased traffic, construction activities, blockage of movement routes and increased risk of poaching - Herders have incomes close to or below the poverty threshold.

* In addition there are 16 families, which have physically or mentally challenged members. Most of these families are those that are already considered as vulnerable under one or more of the above categories. Such families will also be considered vulnerable

Source: Project survey of affected land users, 2003

In accordance with OD 4.30, the Project will pay special attention to ensuring that the particular interests and concerns of vulnerable groups are recognized during land acquisition and resettlement implementation. Special attention will also be paid to ensuring that the incomes and livelihood levels of Project affected vulnerable people are at least maintained, or where possible, enhanced.

The concerns of Project affected vulnerable people will be monitored by:

- Community Liaison Officers (CLO) field monitoring;
- SPT internal monitoring;
- Grievance Procedure; and
- Issues Management process.

Further details on how the interests and concerns of vulnerable people will be addressed are set out at Section 6.5.6.

³ While indigenous people in Sakhalin are a vulnerable group, the Sakhalin Indigenous Minorities Development Plan ("SIMDP") focuses on the IP and addresses issues specific to them. The RAP focuses on the Reindeer Herders as the specific IP who are directly impacted by the project through impacts on their pasture land, over which they have some rights. However other IP groups may be affected as a result of re-routing. SEIC is carrying out an SIA on the impacts of re-routing. Once the SIA is complete we will be in a position to identify impacts and develop appropriate mitigation measures for other IP groups. A more detailed discussion on the approach towards vulnerable groups is outlined in Section 6.5.6.

A **Supplementary Assistance Fund** has been established by SEIC specifically to extend targeted in-kind assistance to vulnerable groups. Supplementary assistance measures to be provided by the Project are described in Section 6.

1.8.4 Socio- Economic Impacts on Affected Households and Enterprises and Potentially Affected People.

World Bank OD 4.30 defines PAP as those enterprises and/or individuals who experience physical or socio-economic displacement as a result of a project, whether temporary or permanent, and with or without the requirement to relocate. A summary of all Project affected households and enterprises (as at May 2004) is set out at Table 4-01. The Company also acknowledges that there may be other individuals and enterprises which suffer socio-economic impacts as a result of the Project. Examples of groups which may potentially suffer socio-economic impacts would include people working for ancillary fishing enterprises and smaller native fishing enterprises.

Table 1-04 provides estimated numbers of potentially socio-economically affected households and enterprises (except where indicated, *estimated* figures for the Aniva and Nogliki Districts). Estimates on the number of potentially socio-economically impacted people and employees in the fishing industry and ancillary fishing industry are modelled on the unlikely event of a worst-case ecological incident leading to socio-economic impacts on the entire Aniva and Nogliki fishing industries. This estimate indicates the *maximum* amount of people/employees that *potentially* may suffer socio-economic impacts. Impacts are likely to be more localised and to affect significantly fewer enterprises and individuals.

Table 1-04: Potentially Socio-Economically Affected Households and Enterprises (except where indicated, *estimated* figures for Aniva and Nogliki Districts)

Type	Number of Households/Enterprises	Number of people/employees	Reference
Prigorodnoye dachas	100 households*	300 people	Tables 4-01, Section 4.2.5. 5.1.4
Fishing industry	Estimated 40 commercial fishing enterprises in Aniva Bay, including small enterprises (apart from native enterprises, please see below). This estimate includes 3 commercial fishing enterprises: Lenbok, Calypso and Contract (See Table 4-01). Estimated 14 commercial fishing enterprises in Nogliki District, including small enterprises (apart from native enterprises, please see below). Nogliki based enterprises are only involved in fishing activities. These enterprises sell fish to the Russian mainland or for export (usually without fish processing).	Between 1621 to 8263 people depending on season**	Annex A, 4.3.3, 5.1.3, Table 4-09
Fish processing companies	Korsakov/Aniva fishing companies are involved in the complete fish production process from fishing to fish processing. The majority of fish products are sold on the Russian mainland or exported. Fish processing companies are included in the estimated 40 commercial fishing enterprises that may be impacted as the companies conduct both fishing and fish processing (see above). One fish processing enterprise in Nogliki District. This enterprise not only processes fish but also provides fish freezing services. This enterprise is not included in the estimated 14 commercial fishing enterprises that may be impacted as a result of socio economic displacement. This enterprise does not carry out fishing.		

Type	Number of Households/Enterprises	Number of people/employees	Reference
Transport companies	Most fishing enterprises have their own transport. Some small entities and native enterprises rent small vessels. Currently figures are not available.		
Equipment and technical services suppliers	N/A		
Native fishing enterprises (native)	6 enterprises in the Nogliki District. These are clan (tribal) enterprises. Some of these native enterprises use other companies for freezing part of their fish catch.	42- 72 people***	4.3.4
Total	161 households/enterprises (100 households, 61 enterprises)	1963-8635 people****	N/A

Note to calculations:

* This information is taken from the results of the socio-economic survey conducted in May 2004. These 100 dachas from 2 dacha communities fall outside the 1km SPZ. They have however been identified as potentially impacted with socio-economic displacement. It is estimated that each household on average has 3 individuals.

** This figure is an estimate based on a worst-case scenario where there is a significant loss of fish stocks in Aniva Bay and the Nogliki region as a result of catastrophic ecological incident producing a socio-economic impact on the whole fishing industry. This figure includes people involved in fishing and ancillary industries. The figure is based on the following assumptions: there are 54 commercial fishing enterprises (40 Aniva, 14 Nogliki). Ancillary fishing industries are included in the total of 54 enterprises. Based on the number of permanent and temporary staff employed in the 3 commercial enterprises (please see Table 4-09), we assume an average of 30 permanent staff per enterprise with 123 temporary staff per enterprise during fish season. We therefore estimate that the maximum number of impacted people would range from 1620 people (permanent only) to 8262 people (permanent and temporary).

*** On average each enterprise includes 5 family members and 2 permanent workers (total of 42 people). Up to 30 temporary workers may additionally be employed (total of 72 people). Estimate based on preliminary data, detailed data on native fishing enterprises including figures on the number of PAP falling into this category will be available following completion of the 2005 IP Survey by the Company.

**** This total is based on the estimated maximum of 8300 people from the fishing industry, including ancillary industries (fish processing companies, transport companies and equipment and technical service suppliers) being impacted as a result of significant ecological impact.

The Company is committed to collecting baseline data on small fishing enterprises and ancillary industries in order to be able to assess any potential impacts and develop appropriate mitigation measures. The Company intends to initially conduct surveys through the CLO network. CLO surveys for Aniva Bay will be complete by the end of November 2005 and for all fishing communities by the end of December 2005. As mentioned at Section 4, the Company will also commission an independent survey to be carried out by a third party agency. We would anticipate at this stage that the survey would be complete by the end of January 2006⁴.

4 SEIC is yet to confirm which third party agency will carry out this survey or the terms of reference.

1.9 STATUS OF IMPLEMENTATION

The schedule for principal land acquisition and resettlement activities is summarised in the table below.

Table 1-05: Summary Schedule of Land Acquisition and Resettlement Activities

#	Action	Period
1	Preparation of Resettlement Action Plan (RAP)	August 2003 – November 2005
2	Consultation, loss assessment, compensation payment and relocation of landowners and users from the LNG site	September 2002 - March 2003
3	Consultation and negotiation of compensatory measures for withdrawal of Prigorodnoye Beach from public use	June 2003 - September 2004
4	Consultation, survey, loss assessment and compensation payment for landowners and users along the pipeline route (Construction Phase)	June 2003 - September 2004
5	Resettlement and livelihood restoration monitoring	November 2003 – 2007

All Preliminary Land Allocations (PLAs) are in place for the onshore pipeline. Compensation under Russian law was paid between the years 2003 and 2004. Supplementary Assistance is in the process of being assessed and paid wherever required. Civil work has started both at the LNG sites as well as along the pipeline route.

Land acquisition and compensation activities associated with the LNG Storage and Export Facility and the pipeline corridor undertaken before completion of the RAP were reviewed by an independent external party and found to have been in full compliance with OD 4.30 principles. Groups affected by these early land acquisition and compensation activities will be subject to ongoing social and livelihood restoration monitoring as described in Section 9, along with all other Project affected landowners and users.

Summaries of acquired land and Project- affected populations associated with these early activities are incorporated into this RAP together with descriptions of related compensatory measures.

1.10 OTHER PROJECT SOCIAL AND ENVIRONMENTAL ASSESSMENT DOCUMENTS

This RAP is one of several documents that together comprise the Environmental and Social Impact Assessment documentation for the Sakhalin II Project. Other key social and environmental documents are listed below:

- Phase 2 Project *Environment, Social and Health Impact Assessment* (ESHIA, 2003);
- Phase 2 Project *SIA Addendum* (to be published Q4 2005). Within this please specifically refer to Appendix A (Project Affected Groups), Appendix B (Policies and Procedures); Appendix D (Consultation and Monitoring Activities, 2003-04); Appendix G (Social Investment Programme);
- Phase 2 Project ESHIA Addendum (to be published Q4 2005);
- *SEIC Public Consultations and Disclosure Plan* (annually updated), and
- *The Health, Safety, Environmental and Social Action Plan* (HSESAP) (to be published Q4 2005).

The Sakhalin II Project documentation can be found together with additional information about the Project on the SEIC web site at <http://www.sakhalinenergy.com/> (English) and <http://www.sakhalinenergy.ru> (Russian).

1.11 GLOSSARY

The following terms are frequently referred to in the RAP. Their definitions are summarised in Table 1-06.

Table 1-06: Glossary of Some Key Resettlement Terms

Term	Definition
Ancillary enterprises and industries	Industries with economic ties with the fishing industry such as fish processing companies, transport companies and equipment and technical services suppliers.
Compensation	<p>Payment under compensation agreement in monetary form or in kind for an asset or a resource that is acquired or affected by a project at the time the asset needs to be replaced</p> <p>Compensation is determined in accordance with Russian Federation legislation and to comply with OD 4.30 principles</p> <p>SEIC has developed a programme of Supplemental Assistance to compensate Project-affected people not eligible for compensation under Russian Federation legislation, but who need to be compensated under provisions of OD 4.30</p>
Cut-off-date	<p>Date of completion of the census and assets inventory of persons affected by the Project</p> <p>Persons occupying the Project area after the cut-off date are not eligible for compensation and/or resettlement assistance</p> <p>Similarly, immovable assets (such as built structures, crops, fruit trees, and wood lots) established after the cut-off date will not be compensated</p>
Grievance Procedure	Procedure by which people affected by the Project can make their grievances known to the Company for consideration and redress.
Involuntary Resettlement	Resettlement refers to the economic and/or physical displacement of people. Resettlement is involuntary when it occurs without the informed consent of the displaced persons or if they give their consent without having the power to refuse resettlement
OD 4.30	The World Bank Group Operational Directive on Involuntary Resettlement
Project-affected people, person or household	All members of a household, whether related or not, operating as a single economic unit, or any individual person who as a result of the implementation of a project, loses the right to own, use, or otherwise benefit from a built structure, land (residential, agricultural, or pasture), annual or perennial crops and trees, or any other fixed or moveable asset, either in full or in part, permanently or temporarily
Physical displacement	Loss of shelter and assets resulting from the acquisition of land associated with a project that requires the affected person(s) to move to another location
Quality of Life Indicators	Specific indicators which measure the impact of Project activities on PAP.
Replacement value	Replacement value of an affected asset is equivalent to the amount required to replace the asset in its existing condition.
Resettlement and Compensation Claims Process	Process for individuals or groups of PAP to lodge a claim relating to resettlement and compensation related issues. This process will be publicised amongst PAP by CLO's to ensure that they fully understand their rights to claim.
Resettlement Action Plan (RAP)	The document in which a project sponsor or other responsible entity specifies the procedures that it will follow and the actions that it will take to mitigate adverse effects, compensate losses, and provide development benefits to persons and communities affected by an investment project

Term	Definition
Resettlement assistance	<p>Support provided to people who are physically displaced by a project</p> <p>Assistance may include transportation, food, shelter, and social services that are provided to affected people during their relocation</p> <p>Assistance may also include cash allowances that compensate affected people for the inconvenience associated with resettlement and defray the expenses of a transition to a new location such as moving expenses and lost workdays</p>
Stakeholders	Any and all individuals, groups, organisations, and institutions interested in and potentially affected by a project or having the ability to influence a project
Vulnerable groups	People who by virtue of gender, ethnicity, age, physical or mental disability, economic disadvantage, or social status may be more adversely affected by resettlement than others and who may be limited in their ability to claim or take advantage of resettlement assistance and related development benefits

Source: Definitions are based on those provided in the International Finance Corporation (World Bank Group) Handbook for Preparing a Resettlement Plan, adjusted to meet Project-specific circumstances

2 SAKHALIN II PHASE 2 PROJECT DESCRIPTION

2.1 BACKGROUND

Sakhalin has a total area of 76,400 km². 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 north-east coast; and
- 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 Kastri. Gas is also transported to the mainland where it is used for industrial and domestic purposes in the Russian Far East.

With the exception 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.

2.2 THE PROJECT

This section briefly describes the key components of the Sakhalin-II Phase 2 Project in the context of the land acquisition and resettlement. For a more comprehensive Project description, reference should be made to the Sakhalin II Project Environment, Social and Health Impact Assessment (2003) [http://www.sakhalinenergy.com./](http://www.sakhalinenergy.com/) (English) and <http://www.sakhalinenergy.ru/> (Russian).

Sakhalin-II Phase 2 has offshore and onshore components (see Figure 2-01). The principal offshore components include the following:

- A new oil and gas production and drilling platform (PA-B) in the Piltun-Astokhskoye Field with separate sub-sea oil and gas export pipelines to a landfall at Chaivo;
- 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 Poronaisk 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 the 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 a LNG jetty-loading facility;
- 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 to support logistical activities for Project construction and operations. Much of this work has been carried out in partnership with local authorities.

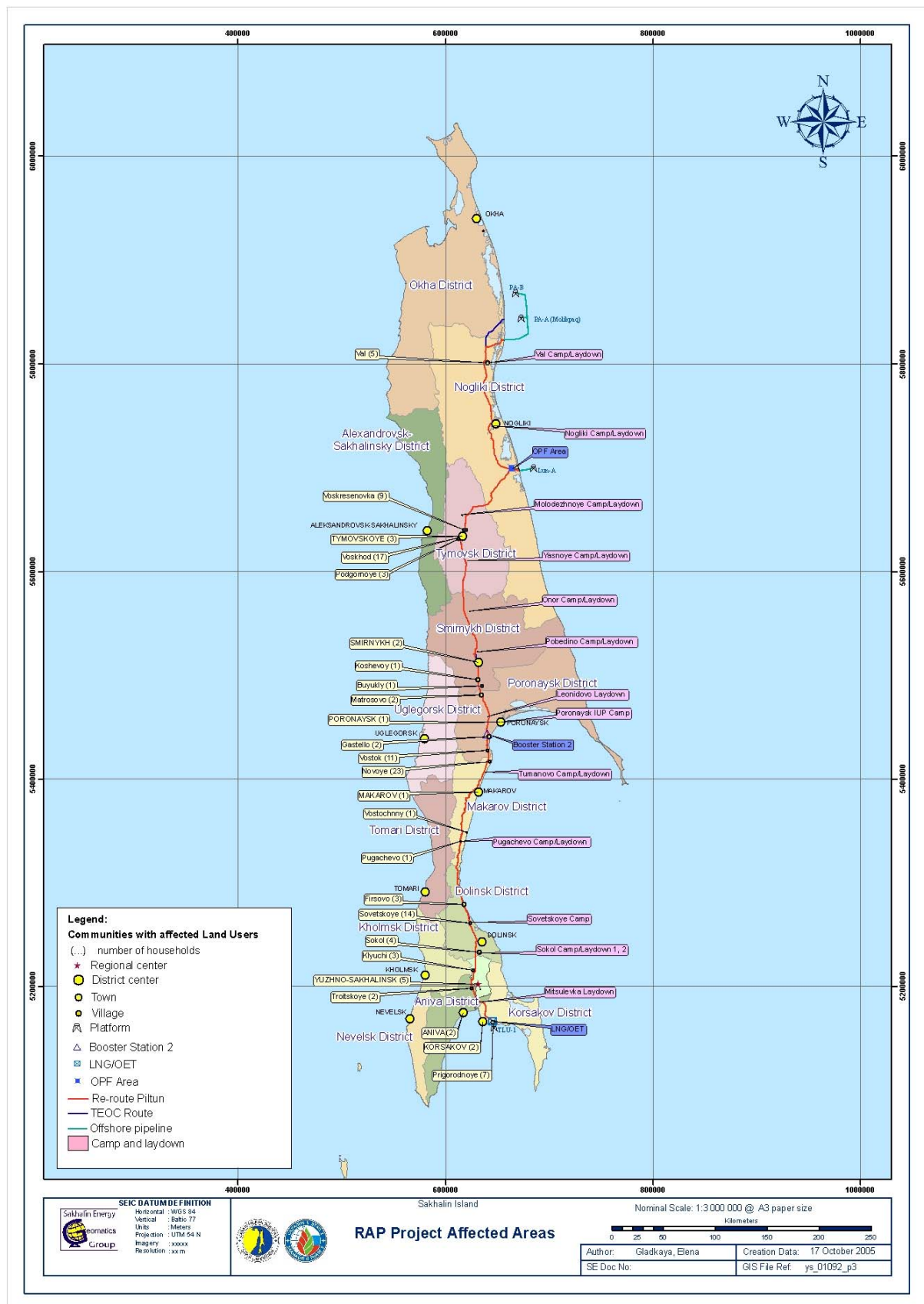


Figure 2-01: Overview of the Sakhalin-II Project: RAP Project Affected Areas

Figure 2-01 summarises RAP Project affected areas. It shows districts and communities impacted by Project land requirements.

Additional information on potentially affected groups, impacts and mitigation measures can be found in Appendix A of the SIAA (Potentially Affected Groups of SIAA). Further details on IP traditional resource use are illustrated in the relevant map in Section 2 of the SIMDP and Section 4.2.7. A map illustrating the LNG/Oil Export Terminal construction and its SPZ and Prigorodnoye dacha communities is set out at Section 4.2.5.

2.3 SUMMARY OF PROJECT LAND REQUIREMENTS

Permanent and temporary land requirements for onshore works are summarised in Table 2-01. Indicated figures may be subject to change in the case of further optimisation or variation to Project solutions in accordance with the regulatory procedures.

Table 2-01: Summary of Project Land Requirements (Hectares)

Project Component	Land to be Temporarily Leased for Construction			Land to be Permanently Acquired*			Land subject to Sanitary Protection Zones & Safety Exclusion Zones*
	State	Municipal	Private	State	Municipal	Private	
Pipelines (include: Piltun & Lunskeye landfalls, Gas Distribution Terminal, block valve sites & access roads)	2,364	1,030	126	TBD	TBD	TBD	24,509
Onshore Processing Facility	317	-	-	64	-	-	120
LNG Plant / Oil Export Terminal	30	449	25	-	190	-	1,500
Gastello Booster Station	-	-	-	16	3	-	35
Temporary construction facilities **	-	275	-	-	-	-	-
Total	2,711	1,754	151	80***	193***	TBD	26164

* Area shown for pipeline Sanitary Protection Zone and Safety Exclusion Zones is conservatively high

** Includes construction camps, lay down yards, support bases, sidings and the like to be acquired on short-term leases

*** Excludes pipeline permanently acquired land (if any), which will be determined later. At this stage SEIC anticipates that permanent land rights may only be granted for 150 block valve stations. Each station requires 1 hectare of land.

As mentioned in Section 1.8.1, the vast majority of the land required for the Project is non-delineated state or municipal land. Less than 3 percent (about 151 hectares) of the land required by the Project is in private ownership.

Project land impacts can be summarised as follows:

Temporary land use – In addition to 2,711 hectares of state land, 1,754 hectares of municipal land and 151 hectares of land that is privately owned will be used for short-term periods. This is land required for the construction of the pipeline and for pipeline construction facilities such as construction camps, lay down yards, support bases and sidings. Land for pipeline construction will generally be used for a three-year period. Land for temporary construction facilities will be used for periods ranging from about 6 months to five years.

Affected land users will be compensated for the use of land during the construction period, for loss of fixed assets and for any loss of income experienced during the construction period. Land will be re-instated to the original owners upon construction completion. Traditional use of land can be resumed subject to statutory limitations imposed by the pipeline safety regulations. See Section 6 for an outline of compensation arrangements.

Permanently acquired land – Table 2-01 sets out current Project land requirements. This table shows that 80 hectares of state land and 193 hectares of municipal land will be permanently acquired for Project facilities. These figures do not include land that may be acquired permanently for the pipeline, which will be determined later⁵. If private land is required, affected owners and users will be compensated for loss of land, assets and livelihood in accordance with Russian Federation regulations or given the option of receiving equivalent replacement land and structures (including dwellings) at a nearby location.

Hectares of land will be subject to some restrictions of use as a result of the imposition of Sanitary Protection Zones and Safety Exclusion Zones. The majority of this land (about 80 percent) is State land consisting of Forest Fund Land and State Reserve Land.

Most private and enterprise owners whose land falls within the Sanitary Protection Zones and Safety Exclusion Zones will be able to continue their pre-Project agricultural activities. Where owners' or users' activities are curtailed as a result of the imposition of the zones, they will be entitled to compensation for any losses that they may incur in accordance with Russian Federation regulations and OD 4.30. Losses in this case should be defined in accordance with Article 15 of the RF Civil Code and include both direct losses and lost profits.

2.4 OFFSHORE FACILITIES

2.4.1 Offshore Platforms

The two planned platforms have similar specifications and design. Both PA-B and LUN-A will be manned drilling and production platforms operating throughout the year. PA-B is planned for production of about 70,000 (11,000m³) barrels per day of crude oil and 2.4 million m³ of natural gas. LUN-A will produce approximately 50,000 barrels (5400 m³) per day of gas condensate, 51 million m³ per day of gas and up to 16,000 (2500 m³) per day of oil at peak production.

Each platform will have a 500-metre wide Exclusion Zone. Commercial fishing, anchoring and passage by non-Project vessels will be prohibited within this zone.

2.4.2 Sub-Sea Pipelines

Hydrocarbons will be transported from the PA-B and PA-A platforms via an offshore pipeline system. The gas and oil produced from both PA-A and PA-B platforms will be processed on each platform and exported as dry gas and dewatered oil in four 14" diameter export pipelines.

Two LUN-A pipelines will transport the gas condensate produced from the LUN-A platform to the Onshore Processing Facility. An additional line will deliver MEG from the Onshore Processing Facility to the LUN-A platform. Two combined power and

⁵ Based on its interactions with Russian authorities, at this stage SEIC anticipates that permanent land rights may be granted for 150 block valve stations. Each station requires 1 hectare of land.

fibre optic cables will also run from the Onshore Processing Facility to the LUN-A platform.

Exclusion and Safety Zones will be applied over the sub-sea pipelines during construction and operations periods.

2.5 PERMANENT ONSHORE FACILITIES

2.5.1 Gas Disposition Terminal

A Gas Disposition Terminal will be constructed at Boatasyn in north-eastern Nogliki District, approximately 40 km south of the Chaivo landfall where pipelines will come on shore from the PA-A and PA-B platforms. The Gas Disposition Terminal will require one hectare of Forest Fund land. A further ten hectares of State land will be affected by Sanitary Protection Zones and Safety Exclusion Zones. No private or municipal land will be affected by this facility.

2.5.2 Onshore Processing Facility

The Onshore Processing Facility will be located close to Lunskeye Bay, approximately 40 km to the east of the town of Nysh in the Nogliki District. The Onshore Processing Facility will have a footprint of 64 ha (Sakhalin II, Social Impact Assessment). An additional area of 10 ha will be required for a beach loading facility. A small amount of additional land will be required for access roads.

No private land will need to be acquired for the Onshore Processing Facility, nor will any private land be affected by Sanitary Protection Zones and Safety Exclusion Zones. Only State land controlled by the Federal Forestry Service will be affected. Construction of the Onshore Processing Facility will occur between late 2003 and the end of 2006. The facility will become fully operational in 2007.

2.5.3 Gastello Booster Station

A Booster/Compression Station will be constructed adjacent to the pipeline route near Gastello in Poronaisk District. The Gastello Booster Station is about 319 km south of the Onshore Processing Facility. About 19 hectares of land will be acquired for the Gastello Booster Station. One forestry enterprise will be affected by the acquisition. The majority of the area to be acquired is Forest Fund land.

2.5.4 LNG Plant and Oil Export Terminal

The Liquefied Natural Gas (LNG) plant and Oil Export Terminal will be constructed on the edge of Aniva Bay in Prigorodnoye, Korsakov District, at the southern end of Sakhalin Island (see Figure 2-01). The LNG plant and Oil Export Terminal are made up of the following principal components:

Onshore:

- LNG plant, including all necessary utilities and common facilities; and
- Oil Export Terminal.

Offshore:

- Materials off-loading facility;
- LNG Jetty;
- Tanker Loading Unit;
- Offshore pipeline connecting the Oil Export Terminal and the Tanker Loading unit; and

- Safety Zone.

The preliminary land allocation for the LNG plant and Oil Export Terminal is 504 hectares. The final footprint of the LNG plant will be approximately 144 hectares, while the Oil Export Terminal will cover approximately 46 hectares.

To separate the LNG Plant (and Oil Export Terminal) from adjacent residential areas a Sanitary Protection Zone will be imposed. The extent of the Sanitary Protection Zone around the LNG plant and Oil Export Terminal has been decided as 1 km.

Exclusion Zones will be established around the LNG jetty, materials off-loading facility and tanker loading unit during their construction. A wider Safety Zone will be permanently established prior to operations. This will restrict access and prohibit anchoring and fishing activity in the vicinity of offshore Project components.

2.6 PIPELINES

2.6.1 General

The total length of onshore pipelines is approximately 816 km, commencing in the far north-east of the Island and terminating in Aniva Bay in the south. The pipeline right of way (ROW) closely follows the existing north-south transport corridor on Sakhalin Island. The pipeline route avoids communities and runs parallel to a railway and road for a substantial part of the route (except in Makarov District).

2.6.2 Pipeline Routes

Oil and gas pipeline routes are shown in Figure 2-01. The route alignment has been selected to run at least 300 metres away from the closest structure in accordance with Russian Federation Construction Norms & Regulations (SNiPs).

2.6.3 Pipeline Construction Right of Way

The oil and gas pipelines share the same construction ROW. The pipeline construction ROW varies in width from 36 metres to 66 metres (see Table 2-02). However this may be wider at special crossings such as roads or rivers.

Table 2-02: Construction Right Of Way Width

Location	Km.	Right of Way		Width (m)	Gas Line		Oil Line	
					inches	mm	inches	mm
Piltun-Astokhsk to OPF (Total 172km)	2	Shoreline to Pig Trap Station		53.0	2x14	2x356	2x14	2x356
	158	Pig trap station to 12km upstream of OPF		36.0	20	508	20	508
	[12]	12km upstream to OPF		66.0				
OPF to LNG/OET (Total 637km)	[12]	OPF to 12km downstream		66.0	48	1219	24	610
	625	12km downstream to LNG/OET	Agricultural Land	55.00				
			Non-Agricultural Land	43.00				
Lunskoye to OPF	7	Shoreline to OPF		57.50			30	762
Total Length	816							

Note: Shaded area represents a combined corridor, which is 12km in length and includes the 2 x 20" pipelines from Piltun shoreline and 48" gas and 24" oil lines to the LNG/OET site.

The width of the ROW is determined by regulations. The ROW needs to be wide enough for construction of the oil and gas pipelines as well as to allow installation of a fibre-optic cable. Each pipeline and the fibre-optic cable is in a separate trench.

The pipeline construction ROW will occupy 3520 hectares. 70% of the ROW is located in State Forestry Fund Land. Other ROW land will be leased by the Project from its existing owners and users for the three year construction period. Upon construction completion, the land will be restored to its pre-Project condition and returned to its original owners and users subject to statutory limitations imposed by pipeline safety regulations.

Pipeline land requirements for construction are summarised in Table 2-03.

Table 2-03: Summary of Pipeline Land to be Leased for the Construction Period

District	Area (hectares)						
	Agriculture	Forest Fund (use agreements)	Settlement	Transport, industrial, military	State Reserve Land	Other	Total
Okha	0.00	66.71	0.00	0.41	7.69	0.00	74.81
Nogliki	0.00	642.34	0.00	1.30	1.80	0.00	645.44
BSNB*	0.00	212.69	0.00	0.00	0.00	0.00	212.69
Tymovsk	58.54	179.77	16.80	0.66	20.08	0.00	275.85
BSNB*	24.18	149.16	5.25	0.59	30.02	0.00	209.20
Smirnykh	40.92	376.68	12.18	2.87	13.90	11.18	457.73
Poronaisk	123.98	139.39	18.75	4.36	13.90	0.00	300.38
Makarov	98.27	434.21	0.00	5.83	16.82	0.48	555.61
Dolinsk	140.84	252.59	3.29	1.25	24.46	21.36	443.79
Yuzhno-Sakhalinsk	142.47	6.92	0.00	2.10	4.09	0.00	155.58
Aniva	46.06	3.36	0.00	0.51	33.57	0.00	83.50
Korsakov	17.85	74.84	0.00	0.32	12.01	0.00	105.02
Total	693.11	2538.66	56.27	20.20	178.34	33.02	3519.60

*These columns include the change of pipeline route - Big South Nysh Bypass in Nogliki and Tymovsk Districts.

2.6.4 Pipeline Land Requirements (Operations)

The legal mechanisms, as described in Section 3.3.1, will be used to obtain rights to land necessary for the operation of the pipeline in line with the land allocation procedures currently operating under the RF.

Block Valves

About 150 block valve stations will be constructed along the pipelines. Block valves are designed to shut down the flow of gas or oil in the event of a pipeline rupture. Block valves are typically sited at about 30 km intervals along the pipelines (both oil and gas) and at crossings of seismic faults and certain water bodies (oil only).

Each valve station will occupy an area of about 100m by 100m (or one hectare). Some additional land may also need to be acquired for permanent access roads to each pump station, or helipads where no access by road is possible.

Additional land for block valves and access roads that may be required will be acquired within the same legal framework as has been adopted for the pipeline so far. The RAP framework would be adhered to for compensation processes as set out in Section 6.2.

Pig Trap Stations

Pig trap stations will be constructed at the Piltun Landfall and within the facility sites at the Onshore Processing Facility and Gastello booster station. No additional land will be required for the pig trap stations.

Pipeline Access Roads

Pipeline construction and operations will require both temporary and permanent access roads to be constructed. Wherever possible, the Project will make use of existing roads to minimise the requirement for additional land acquisition. The Project will undertake upgrading of these where necessary to accommodate Project traffic. This will not generally entail acquisition of land beyond existing road ROWs. Where community roads become impassable as a result of Project activity, the Project will undertake to provide interim arrangements and facilitate alternative routes.

Some temporary construction roads and new permanent roads for pipeline access will also need to be constructed. Estimates of affected land are summarised in the table below. The majority of these roads will be on State land. Land for temporary roads will be leased. Land for permanent roads may need to be acquired on behalf of the Project. Compensation will be provided to affected owners and users in accordance with the framework established by this RAP (See Section 6.)

Table 2-04: Estimated Land Requirement for Access

Roads	Examples	Construction			Permanent		
		No.	Km (length)	Land (Ha)(total land plot)	No.	Km. (length)	Land (Ha) (total land plots)
Existing/New	Some existing track/some new – 10m ROW	13	19.2	19.2	4	10.1	10.1
New	10m ROW	5	4.6	4.6	27	31.3	31.3
Total		18	23.8	23.8	31	41.4	41.4

2.7 TEMPORARY CONSTRUCTION FACILITIES

Temporary construction facilities that will be needed by the Project include the following:

- Construction Camps;
- Laydown Yards; and
- Support Bases.

Land for these facilities will be secured by means of short-term leases negotiated on commercial terms with their owners. Most of the sites are not presently occupied or otherwise utilised. Selected sites include brownfield sites (e.g. unused rail sidings or enterprise land), unused administration or military lands, or in a small number of cases, vacant agricultural land.

A list of sites under consideration for these short-term facilities is summarised in Table 2-05.

Table 2-05: Land Requirements for Temporary Construction Facilities

District	Community	Facility Type	Land Area (ha)	Sanitary & Protection Zones (ha)
Nogliki	Val	Camp/laydown yard	10.3	5.6
	Nogliki	Camp/laydown yard	13.5	7.5
Tymovsk	Yasnoye	2 camps/laydown yard	74	17
	Molodyozhnoye	Camp/laydown yard	16.8	6.8
Smirnykh	Onor	Camp/laydown yard	44.15	6.8
Poronaisk	Leonidovo	Camp/laydown yard	13.9	3.9
	Poronaisk	Camp SS	0.5	-
Makarov	Tumanovo	Camp/laydown yard	21	6.8
	Pugachevo	Camp/laydown yard	20	3
Dolinsk	Sovetskoye	Camp	19	15
	Sokol	Camp/laydown yard	31	7.2
	Vzmorye	Camp	0.5	0.5
Aniva	Mitsulyovka	Laydown yard	10	-
Total			275*	80*

* The land requirements have changed with a decrease in land needed for the camps

2.7.1 Construction Camps

Construction camps are designed to accommodate workers for periods of six months up to several years. Camps established for longer periods will be those servicing the major onshore construction sites such as the Onshore Processing Facility and LNG/Oil Export Terminal.

The camps are installed prior to construction commencement. They have facilities for personnel such as living accommodation, catering and social facilities. Camp areas also accommodate infrastructure for water supply, wastewater treatment, temporary waste storage, fuel storage and generators. The sites have vehicle access to the main road and a helicopter pad for emergency use. Sites are enclosed by security fences.

2.7.2 Laydown Yards

Pipe laydown yards are areas designated and prepared for temporary storage of pipe sections prior to them being finally transported to the pipeline corridor and laid. Pipe sections will be transported via the rail network from port of landing to the lay-down yards. Where necessary, rail spurs will be built to access the lay-down yards.

2.7.3 Support Bases

Support bases are not expected to have any facilities erected, but will be used for temporary storage of mobile equipment and pipe sections.

2.8 SANITARY PROTECTION ZONES AND SAFETY EXCLUSION ZONES

Under Russian Federation regulations, two kinds of protection zones are required around industrial facilities and pipelines. These are:

- Safety Exclusion Zones along the gas distribution networks, trunk pipelines and around other facilities in order to provide for safe operations and avoid damage;
- Sanitary Protection Zones - to separate industrial facilities and installations from residential areas with the aim of protecting the residents.

As summarised in Table 2-01, about 26,164 hectares of land will potentially fall under Sanitary Protection Zones and Safety Exclusion Zones associated with the pipelines and other Project facilities.

2.8.1 Safety Exclusion Zones

The procedure for determining the size of Safety Exclusion Zones is regulated by Rules for Protection of Gas Distribution Networks (approved by the Decree of the Russian Federation dated November 20, 2001 No. 878) and Rules for Protection of Trunk Pipelines (in edition of RF Gosgortekhnadzor dated November 23, 1994, No. 61).

For the Sakhalin II pipeline, Safety Exclusion Zones will extend 25 metres from the pipeline axis on either side. There will be no physical boundary to demarcate these zones. For water crossings, Safety Exclusion Zones will extend 100m from either side of the pipeline.

According to the Rules of Protection of Gas Distribution Networks, any activity that could affect pipeline operation is forbidden in the Safety Exclusion Zones. Safety Exclusion Zone land is not withdrawn from land users, and does not require land allocation. Safety Exclusion Zone land can continue to be used for agricultural or other needs, subject to the following restrictions:

- No structures of any kind;
- No collective gardens or living premises;
- No planting of trees or shrubs;
- No storage or warehouses; and
- No car parking areas, or the like.

Opportunity costs involved with such restrictions would be included in compensation valuation under the Decree of the Government of the Russian Federation (No 77 and 262).⁶

If there is infrastructure belonging to third parties within the boundaries of the Safety Exclusion Zone, the operating company signs a contract with the infrastructure owner. This defines joint actions aimed at providing safe operation of the facilities.

Such contracts can cover crossings of Safety Exclusion Zones by roads, railways, communications infrastructure, rivers, water reservoirs, farms, and the like. In such cases, approval needs to be sought from the affected third party operators and land users.

2.8.2 Sanitary Protection Zones

SanPiN 2.2.1/2.1.1.1200-03 defines requirements for the pipeline Sanitary Protection Zone. This regulation defines the minimum safety distances from pipelines as being between 150 to 300 metres dependent on the diameter and safety class of the pipe (please see Table 2-06 below). The final width of Sanitary Protection Zones to be

⁶ See Table 3-01, Section 3 for details.

applied to the SEIC pipeline will be determined by the responsible Russian authorities following completion of detailed pipeline engineering design.

Indicative minimum safety distances to be applied to the Sakhalin II pipelines are summarized in Table 2-06.

Table 2-06: Minimum Safety Distances for Sakhalin-II Project Pipeline Sections

Subject	From Piltun-Astokhsk shore crossing to OPF	From Lun-A shore crossing to OPF	From OPF to LGN/OET site
Cities and other settlements, dacha co-operatives and/or collective gardens; agricultural and industrial enterprises, garages and open parking spaces, individual public buildings (schools, hospitals, recreation centres, railway stations, airports, ports, harbours)	150m	200m	300 m

Based on the regulations, the various restrictions will apply within the Sanitary Protection Zone outlined in SanPiN 2.2.1/2.1.1.1200-03.

The pipeline alignment has been designed to be at least 300 metres from all existing structures as required under Russian Federation Construction Norms & Regulations (SNiPs). Consequently, there will be no existing structures that need to be cleared or compensated for as a result of the imposition of the pipeline Sanitary Protection Zone.

Sanitary Protection Zones are currently being put in place and will be finalised as each section of the pipeline is commissioned and once the relevant Russian authorities have provided a final determination as to safety distances for some sections of the pipeline.

2.9 CONSIDERATION OF PROJECT ALTERNATIVES AND MEASURES TAKEN TO MINIMISE LAND ACQUISITION AND RESETTLEMENT

OD 4.30 requires that "...involuntary resettlement should be avoided or minimized where feasible, exploring all viable alternative project designs..." For a comprehensive description of the alternative designs and facilities sites that were evaluated as part of the Project design process, reference should be made to Chap 5, Vol 1 of the *SEIC Phase II Development Environmental Impact Assessment*. This document is available on the Project website.

In addition to the consideration of alternative Project designs, the following measures were incorporated into the Project design in order to avoid or minimise Project requirements for land and resettlement:

- Sitting of major facilities and the pipeline alignment wherever possible on State land to avoid the need to acquire private and municipal land;
- Establishing the pipeline route in accordance with the minimum safety distances prescribed by SNiP 2.05.06-85 in order to avoid existing settlements and minimize the need to clear established structures and fixed assets, or relocate people;
- Alignment of the pipeline parallel to existing and planned infrastructure corridors (roads, railways, pipelines, transmission lines) in order to minimise the requirement for new access roads and to avoid fragmenting productive land;
- Special attention to reinstatement of agricultural and other productive land to ensure that it is restored to full productivity following construction completion;

- Thorough consultation and information dissemination to traditional users in order to give them sufficient notice of construction activities so that they can plan herding, hunting and fishing activities to avoid active works areas; and
- Use of 'brownfield' sites or other unutilized land for temporary construction facilities in order to minimize impacts on productive land.

2.10 PIPELINE ROUTE CHANGES AND THE RAP

As in all pipelines construction, some changes in pipeline route may be required during final route planning or construction. Such changes may involve realignment of several hundred metres of pipeline for reasons such as the avoidance of localised adverse geotechnical conditions. Other changes may be more extensive and involve realignment for some kilometres.

In all cases, SEIC intends to follow the RF legal requirements and the framework defined in this RAP. This will include identifying owners and users, consulting with them, assessing losses and determining compensation and assistance, and conducting ongoing monitoring. The third party audit will assess whether the RAP framework and processes have been followed in cases of additional land take and/or relocation in the future.

3 POLICY, LEGISLATIVE AND REGULATORY FRAMEWORK

3.1 INTRODUCTION

SEIC will seek to obtain leases or use rights over land for the specified Phase 2 facilities. Land requirements for the Project will come under two broad categories:

- Permanent right of use; and
- Temporary right of use.

Land acquisition laws provide for the power of eminent domain that is vested in the public executive bodies. The law empowers the State and/or Municipalities to acquire land for state, municipal or public needs under Articles 49 and 55 of the Land Code and Articles 279- 283 of the Civil Code. Such acquisition must be based on a court decision (Civil Code, Article 282) and is subject to payment of compensation for any losses or damages suffered by the affected party (Land Code, Article 55.2). Affected parties have rights of appeal.

Eminent domain rights vest with state authorities and local municipalities and cannot be delegated to commercial entities. Commercial entities, in whose interest land is compulsorily acquired, have an obligation to pay compensation to the affected persons. Following such compulsory purchase, the land plot becomes the property of the respective state authority and can be leased or sold to the applying commercial entity.

Eminent domain procedures require one years formal notice from the authority exercising its eminent domain rights prior to withdrawal of the land. This acts as a significant incentive for the Project to reach mutually acceptable agreements with each Project affected landowner or user rather than resort to applying for use of eminent domain powers.

The Project goal is to acquire all necessary rights to land through negotiated settlements with landowners and users. The Project (through the State) will only resort to the use of the power of eminent domain when negotiations and other reasonable measures fail to result in a settlement. To date, this has not been necessary.

3.1.1 Land acquisition framework

Land acquisition, compensation and resettlement planning for the Sakhalin II Project will adhere to the framework prescribed below:

- Legislative requirements of the Russian Federation;
- Obligations and responsibilities defined in the PSA; and
- Involuntary resettlement policies and guidelines of the World Bank Group, with particular reference to OD 4.30.

In some circumstances, obligations to compensate or assist Project-affected people as defined by OD 4.30 are more extensive than requirements under Russian Federation legislation. A comparison of Russian Federation legislative requirements with those of the World Bank Group is summarised in Section 3.8.

SEIC has established a Supplemental Assistance Programme specifically to provide compensation to people and households who may not be eligible under Russian Law, but whom need to be compensated in order for SEIC to comply with OD 4.30 (See Section 6).

3.2 RUSSIAN FEDERATION LEGISLATION RELATING TO LAND ACQUISITION

Some key legislative instruments relevant to Project-related land acquisition are summarised in Table 3-01. This list is not exhaustive nor is it intended to supersede reference to the actual texts of the applicable laws.

Table 3-01: Selected Legislation Relevant to Land Acquisition and Resettlement

Law/Regulation	Short summary of applicability to the Sakhalin II Project
Russian Federation Constitution (12 December 1993)	<p>Establishes that everyone shall have the right to have property in his or her ownership, to possess, use & manage it either individually or jointly.</p> <p>No person may be arbitrarily deprived of his or her property unless on the basis of decision by a court of law.</p> <p>Property can only be forcibly alienated for state needs on condition of preliminary & fair compensation.</p>
Federal Law of the Introduction to the Land Code (25 October 2001 #137-FZ - statutory wording * December 2003)	<p>Before delineation of state property the local authorities are authorised to deal with state property within their boundaries.</p> <p>The Government of RF has established procedures for delineation of state property.</p>
Land Code of the Russian Federation (25 October 2001 #136-FZ)	<p>Defines proprietary rights of the State, subjects of the Russian Federation, municipalities, private individuals & entities.</p> <p>Regulates withdrawal of plots of land, transfer of land from one category to another. Identifies common rules of compensation for losses & damages, and establishes the basis for land valuation.</p> <p>Sets out the status of any category of land.</p> <p>Empowers state & municipalities to reclaim land for municipal & public needs.</p> <p>Provides for rental of state & municipal lands.</p> <p>Sets out roles & responsibilities for resolving land disputes & establishes penalties for violation of land legislation.</p>
Civil Code of the Russian Federation (Part 1, November 30, 1994 #51-FZ; Part 2, 26 January 1996 #14-FZ)	<p>Defines types of legal interest in property (full ownership, lease, third party).</p> <p>Requires proprietary rights & other rights for immovable property, as well as any restrictions, formation, assignment or transfer of rights to be registered with the state.</p> <p>Requires that use rights, servitude rights & mortgages also be registered.</p> <p>Gives the general definition of damages and determines the rules of damages compensation. The general definition of damages includes the damages related with nuisance.</p> <p>Provides a landowner who is unhappy with the purchase of his or her land for state or municipal needs recourse to the civil court.</p>
Forest Code of the Russian Federation (29.01.1997#22-FZ)	<p>Identifies the status of 'forested land'.</p> <p>Regulates questions of use of forested land: forested land can be used either for forestry purposes or for purposes not related to forest use, where the land has been transferred into the classification of 'non-forested lands of the forested category', but only where such non-forestry use is intended to be for temporary purposes (less than 25 years), not permanent.</p>
Civil Procedures Code (14.11.2002 #138-FZ)	Sets out procedures & applicable timeframes for actions & appeals through the courts by individual persons.
Arbitration Procedures Code (24.07.2002 #95-FZ)	Sets out procedures & applicable timeframes for actions & appeals through the courts by juridical persons.

Law/Regulation	Short summary of applicability to the Sakhalin II Project
Federal Law of the Turnover of agricultural Lands (24 July 2002 #101-FZ - statutory wording 29 June 2004)	<p>Establishes rules:</p> <p>To a turnover of the land plots and shares in the right of the general property to the land plots from the lands of agricultural purpose,</p> <p>To transactions which result of fulfilment is occurrence or the termination of the rights to the land plots from the lands of agricultural purpose and</p> <p>Shares in the right of the general property to the land plots from the grounds of agricultural purpose, defines conditions:</p> <p>The granting of the land plots from the lands of agricultural purpose which are taking place in the state or municipal property, and also</p> <p>Their withdrawals in the state or municipal property.</p>
Law 'On the State Registration of the Rights to Real Estate and Real Estate Transactions' (21 July 1997 #122-FZ)	<p>Establishes requirements for land transactions such as purchase & sale of land, mortgages, transfer of rights to other users & lessees, & transfer of land through inheritance.</p> <p>Recommends the scope of land market agreements & contracts.</p> <p>Requires registration of all land rights & sets out documentation requirements.</p> <p>Outlines penalties for failure to comply with regulations.</p>
Decree of the Government of the Russian Federation (28 January 1993 #77)	<p>Approves provision of compensation for damages to landowner, land holders, land users, land tenants & agricultural losses.</p> <p>Establishes procedures for compensation of losses to agricultural production caused by withdrawal, restriction of use or deterioration of agricultural lands.</p> <p>Describes compensation procedures.</p> <p>Establishes norms for the calculation of damages.</p>
Decree of the Government of the Russian Federation (7 May 2003 No. 262)	<p>Provides guidelines for compensation to landowner, land users, land holders, & tenants for damages caused by withdrawal or temporary occupation of land plots, limitation of rights of landowner, land users, land holders, & tenants or by deterioration of land caused by activities of other parties.</p>
Executive Order of the Government of the Russian Federation (15 June 1994 # 908-r)	<p>Identifies the standards of compensation for withdrawal of land from agricultural production & destruction or damage of deer pastures.</p>
Agreement No. 2 between the Russian Federation Government & Sakhalin Oblast 'On division of powers in respect of the possession, use & disposal of land on the territory of Sakhalin Oblast' (29 May 1996)	<p>Provides that land in Sakhalin Oblast may be owned by the Russian Federation (federal level), Sakhalin Oblast (regional level), districts or private individuals or entities.</p>
The Order Of Goskomecology Of The Russian Federation From 16May 2000 # 372 " About The Statement Of Position About The Estimation Of Influence Of Planned Economic And Other Activity On The Environment In The Russian Federation " (It	<p>Defines the requirements for carrying out public hearings related to EIAs.</p> <p>The information is published in official publications of federal enforcement authorities and institutions of the local government where the planned activity will occur. The following information is required:</p> <ul style="list-style-type: none"> - The name, the purpose and site of the planned activity; the name and the address of the proponent; - Provisional terms of the EIA; - The authority responsible for the organization of public discussion;

Law/Regulation	Short summary of applicability to the Sakhalin II Project
was registered In Ministry Of Justice Of The Russian Federation on 4 July 2000 # 2302).	<ul style="list-style-type: none"> - The prospective format for public discussion; - The form of representation of remarks; - Nominated placement of the EIA; - Other information.
Wildlife Law #52-FZ dated 24.04.1995	<p>None of the provisions of the Wildlife law provided any format of land rights to Indigenous People. However, the IP are recognised as nature users by the law and this is why SEIC is heavily relies upon this law in the process of interaction with Indigenous Peoples and other stakeholders.</p> <p>Article 48 and 49 of the Wildlife Law have not provided any specific format of land rights to Indigenous People. Scope of Articles 48 and 49 is limited to wildlife use or nature use. Article 95.1 of the Land Code and Article 97.5 of the Land Code provided reference for two individual formats of traditional use of land which are designed inter alia for Indigenous Peoples and could be used by Indigenous Peoples to implement the ideas of the RF law on Wildlife. However, to the best of SEIC's knowledge none of these two special formats have been created on Sakhalin. Neither there are there other regular formats of land rights provided to Indigenous People, i.e. lease or ownership or lifelong inheritable use. In cases where such regular formats of land rights are granted to Indigenous People and are affected by Phase II Project, those land uses are of course recognized by the local administrations and SEIC as the affected land uses subject to compensation.*</p>
Decision of the Council of Ministers of RSFCR 86 from 15.03.1989	In accordance with this document the compensation for the reindeer pasture was calculated. This decision establishes the rules of calculation of reindeer pasture damages and requests to spend the compensation on the reindeer herders' needs and restoration of the reindeer pasture.
Government Decree #262 of 07 May 2003 Concerning compensation to landowner, land users and land tenants due to use of or damage by activities of third parties.	Provided for a mechanism of compensation to landowners, land users and land tenants due to use of or damage by activities of third parties.
Decree #38 of Ministry of Healthcare of the Russian Federation dated April 10, 2003 Concerning Enforcement of SanPiN 2.2.1/2.1.1.1200-03	SanPiN provided mechanism for arrangement, design and operation of sanitary protection zones and sanitary classification of enterprises, structures and other facilities, including a list of land uses that are admissible within boundaries of sanitary protection zone.
Federal law from 15.04.1998 N 66-öç (s.w. from 02.11.2004)-	<p>"About non-commercial associations of individuals involved in horticulture, gardening and dacha-related activities ".</p> <p>Regulates the rules governing provision of dacha land plots and anything related to an individual's practice of horticulture, gardening and managing a dacha. Also establishes and clarifies legal status and managerial issues with respect to persons (individuals and entities) maintaining dachas. Pays attention to land issues regarding land parcels under dachas.</p>

* Since Indigenous Peoples are not subject to regulatory compensation under the RF law, SEIC will apply the Supplemental Assistance program for Indigenous People to meet requirements under OD 4.30 and compensate for any loss at replacement value.

3.3 RIGHTS TO LAND REQUIRED BY THE PROJECT

For all permanent above ground facilities, the Project has or will acquire long-term lease rights over the land on which the facilities are to be constructed and operated. Permanent above ground facilities are the Onshore Processing Facility, the

Prigorodnoye Oil and LNG Storage and Export Facility and the Gastello Booster Station.

The nature of the land rights to be obtained for the pipeline facilities remains to be determined. SEIC has a number of commitments to the lenders to the Phase 2 development to seek long-term leases or servitudes. Based on interactions with the Russian authorities to date, it seems likely however that these would only be available for above ground facilities (primarily the block valves). Any such lease agreements will be entered into with the owner of the land. Potential owners of land are private individuals and municipal, Oblast or Federal authorities. Where long-term leases or servitudes are not granted, SEIC will benefit from the protection of statutory limitations over the relevant plots of land on which such facilities are located.

Owners of public land in Russia are defined through a process known as “delineation”. Delineation is conducted in accordance with the Federal Law dated July 17, 2001 #101-FZ ‘On Delineation of State Ownership of Land’ (the ‘Delineation Law’).

To date, the land on Sakhalin has not been delineated. The Federal Law of the Introduction to the Land Code from 25/10/2001 #137-FZ (statutory wording 8 December 2003) establishes that municipal authorities are empowered to manage (lease out) land prior to delineation. Therefore, for construction and operation phases, SEIC has or will generally enter into arrangements with local municipalities save for the categories of land owned by the Federal Government, such as forest category land where SEIC will negotiate with the relevant forest authorities for the rights necessary to construct and operate the pipeline.

3.3.1 Land Rights for Operation Phase

As noted above, SEIC may have different forms of land rights applying to its facilities. In any case, SEIC will identify and agree to the appropriate compensation due to allocation of land to the Sakhalin II Project with the relevant parties.

Landowners/users/tenants will waive their rights to land, if applicable. Where agreement cannot be reached, Articles 49, 55 and 63 of the Land Code provide for eminent domain rights of the state or municipal bodies in accordance with the established procedure. By application of SEIC, such public executive bodies, SEIC and the affected land owner/user/tenant will be able to complete the procedure and reach an agreement on compensation through the court of law.

SEIC would prefer not to enter into multiple leases with individual private landowners. Consequently, SEIC is proposing to negotiate compensation transactions with affected landowners whereby SEIC compensates them for damage and losses, and the private landowner or user voluntarily relinquishes their right to the area of land required by the Project. Following such relinquishment, the subject land plot can then be delineated as municipal or Oblast property and leased by SEIC from the responsible authority. The negotiation process will be transparent and fair and will ensure that the affected parties get full replacement value for their land, assets and other material losses. Eligibility and compensation criteria defined in Sections 6.2 and 6.3 will be applied.

The Grievance Procedure of SEIC will provide an avenue to the affected land owner/user to air their concerns regarding compensation and get a prompt response from SEIC. The landowner or user still has the option to file a legal action at court for enhanced compensation or other claims. An absence of a lease agreement between private persons and SEIC shall not hamper the ability to start legal action. Under the RF law any person who deems his/her right to be violated is entitled to judicial protection.

Where compensation by way of a negotiated agreement is not possible, SEIC has the option to apply to the Oblast authorities to exercise their statutory rights of eminent domain. Under this alternative, the Oblast authority would apply to the court of law. The court, if it so determined, would approve an appropriate compensation amount.

Use of eminent domain rights through the court is undesirable due to time delays, and also results in distress to the affected stakeholders.

In summary, SEIC analysed the following legitimate formats of land rights for the Project.

3.3.1.1 Ownership

Law: Chapter 17 of the Civil Code, Chapter III of the Land Code and subordinate legislation.

This format is not available to SEIC. Article 15 of the Land Code established that foreign companies cannot own land in border zones. The list of border zones is not approved to date, but Sakhalin Island is very likely to be included on the list as it was recognised as a border zone during the Soviet era. SEIC is not seeking ownership rights to any land for the purposes of the Project.

3.3.1.2 Lease

Law: Article 22 of the Land Code, Chapter 34 of the Civil Code.

Land lease agreements are subject to registration at the State Registration Chamber. Leases are theoretically applicable to all land categories except for Forest Fund category land but may not be granted where SEIC does not need to retain control over the land plot and it can be returned to the owner.

Leases should theoretically provide SEIC with a good degree of control over land and stability of terms for the term of leases.

3.3.1.3 Use Agreements

Law: Article 63 of the Forest Code. Governmental Decree 455.

Where SEIC does not initiate a withdrawal of land of the Forest Fund category into industrial category, the procedure of transfer to the lowest sub-category within the Forest Fund will be completed. Deforested land of the Forest Fund can be used for industrial purposes in accordance with Article 63 of the Forest Code.

Article 63 of the Forest Code expressly allows the use of deforested land for non-forestry (industrial) business. The use agreements would provide a good degree of control over land under the current legislation and stability of terms over the land plots with the status of deforested land of the Forest Fund category.

3.3.1.4 Servitude

Law: Article 23.1 of the Land Code, Article 274 of the Civil Code.

Servitudes can be public and private. Any SEIC land servitudes would be through private servitude agreements. Land under the servitude agreement stays within the existing land category without withdrawal into the industrial category of land.

The owner of land under the servitude can use and/or dispose of the land. Statutory limitations on protection of pipelines will, however, be attached to the land plot following commissioning and registration of such limitations.

3.3.1.5 Limitations

Law: Article 56 of the Land Code. Registrations Law #122-FZ. SanPiN on Sanitary Protection Zones dated 2003 and other pipelines safety requirements.

Statutory limitations, also translated as encumbrances, are subject to registration per Article 4 of the Registrations Law and Article 56 of the Land Code. Mortgages Law does not allow mortgaging of a limitation. Land category is not changed into industrial category. There will be a certain level of control over land with registered limitations. However, statutory limitations are the common practice for the operational stage of underground pipelines in Russian oil and gas companies. It is very possible that the Russian authorities would wish to see this practice maintained in relation to the Project.

3.4 LAND OWNERSHIP AND TITLE

Types of legal interest in land in the Russian Federation are defined by Article 5 of the Land Code. The principal types of interest in land, forms of land ownership and title as defined by Article 5 are summarised in Table 3-02.

Table 3-02: Types of Interest in Land, Forms of Land Ownership and Tenure in the Russian Federation

Options	Description
Parties who can have interests in Land	<ul style="list-style-type: none"> - Landowners - parties owning land plots - Land Users - parties occupying and enjoying a land plot by right of perpetual or indefinite use or by right of free fixed-term use - Land Occupiers - parties occupying and enjoying a land plot by right of lifelong inheritable possession - Land Lessees - parties occupying and enjoying a land plot under a lease or sublease contract, and - Land Easement Holders - parties enjoying restricted use of a land plot belonging to others by virtue of an easement
Forms of Land Ownership	<ul style="list-style-type: none"> - Private property - land legally acquired by individuals or legal entities - State property - land not owned by individuals, legal entities or municipal formations. It is divided into Federal Property and that of Russian Federation Constituents - Municipal property - land owned by municipal formations
Types of Land Title	<ul style="list-style-type: none"> - Permanent (unlimited) use - can be exercised by state and municipal facilities and enterprises, federal, regional and municipal authorities - Lifelong Inheritable possession is exercised by the individuals who received it before the current Land Code came into force. This type of title is no longer issued. Any transactions (including lease), other than transfer by right of succession is not allowed for this type of land title. Land Users - holders of this land title can register their land plots as private property - Lease, sublease - land plots are given to a lessee for a fee for temporary use and ownership. Only landowners can lease land - Easement - restricted use of a land plot belonging to others. Private Easement can be established by following the procedures stipulated in the Civil Code. Public Easement must be established with due regard to the outcome of public hearings. Existing Russian land legislation, however, does not define what constitutes a 'public hearing', or how the outcomes of such a hearing might be addressed - Limited use free of charge - land plots is given for temporary use free of charge. Term is defined by Russian regulations for State or Municipal land, by contract for private land, or by labour contracts for an employer providing garden plots

3.4.1 Registration

Proof of title to all types of legal interest in land (e.g., ownership, permanent use of land, lifetime ownership with hereditary succession, easement, lease, and limited use) requires registration. Registration requirements are defined by the Law 'On the State Registration of Real Estate Rights and Transactions' (Law No 122-FZ). Russian regulations require compensation only to legally registered landowners, land users or tenants.

The registration process can be complex and cumbersome depending on the specific circumstances of each case. Where all title documents are in order, the registration process takes one month. This includes the period from the date of submitting the documents evidencing title to land until issue of documents with state registration.

Registration may require multiple visits to a number of administrative offices in district centres in order to collect the documents necessary to provide proof of title. Documentation in some cases may be dated back to the Soviet era and may take many months to process. Offices may not be easily accessible to landowners or users from remoter rural areas. The cost of registration-related activities, such as land pegging, can be unaffordable for some groups.

For these reasons, in many cases, interests in land have never been registered, or registrations have been allowed to lapse. Such cases include:

- Land users who have old Soviet type documents to land. Under modern land legislation of the RF, such old formats of land rights do not provide a basis to dispose of or lease out such land, but can be changed into ownership or lease rights at the discretion of the land user and subject to administrative and financial investments from such land user, which they never accomplished;
- Inheritance cases where land title (and registration) has never been formally transferred from the deceased to a new owner;
- Leaseholders who continue to use land even although their leases have expired or have not been renewed, or whose land rights have been extinguished as a result of non-payment of taxes or rents; and
- Informal users.

In accordance with OD 4.30, which states that the lack of legal title should not be a bar to compensation, un-registered land users are to be compensated as any other PAP. Table 6-05 provides further details.

3.5 PROJECT AGREEMENTS

The Sakhalin II Project is being developed under a Production Sharing Agreement (PSA) concluded in 1994 between the Government of the Russian Federation, the Sakhalin Oblast Administration and SEIC. The Sakhalin II Project PSA was the first of its kind to be signed in the Russian Federation.

The PSA is a commercial contract between the investor and the State, which allows the investor to undertake large scale, long-term and high-risk investments. The purpose of the PSA is to define the terms and conditions for the exploration and development of resources by replacing existing tax and licence regimes with a contract based arrangement that exists for the life of the Project.

The PSA defines certain roles and responsibilities with respect to obtaining the rights to land necessary to construct and operate the pipeline and ancillary facilities.

The PSA requires that the Russian Party should establish on Sakhalin Island a commission ("Sakhalin Commission") that shall have the power to provide to SEIC, through the exercise of eminent domain, on terms and conditions acceptable to SEIC,

such rights of access and use of land as reasonably required by SEIC to conduct Operations. To date, the Sakhalin Commission has not been established and SEIC is acquiring land rights in accordance with the procedures described herein.

The PSA further provides that the Sakhalin Commission shall operate with respect to the acquisition of land rights with advice and assistance of SEIC. SEIC shall reimburse the Sakhalin Commission for:

- Reasonable administrative expenses, approved in advance by the Company, incurred in acquiring the land rights described in the paragraph above; and
- The compensation paid to the owners or holders of such land rights, provided, however, that such compensation shall not be greater than the amount a Governmental Authority on Sakhalin Island would pay to acquire land for its own use under the eminent domain laws of the Russian Federation.

As noted above, these PSA provisions have not been implemented and SEIC has conducted its land acquisition process within the general Russian legislative framework and World Bank policies and guidelines.

3.6 WORLD BANK/IFC INVOLUNTARY RESETTLEMENT POLICIES AND GUIDELINES

The Project complies with the laws, regulations and procedures of the Russian Federation related to the land allocation process and compensation calculations. In addition, the Project has made public commitments to follow principles and guidelines of the World Bank Group. The principal World Bank Group policies and guidelines covering land acquisition and resettlement are summarised in Table 3-03.

Table 3-03: World Bank/IFC Policy and Guidelines Relevant to Sakhalin II Project RAP

Policy or Guideline Document	Applicability to the Sakhalin II Project
World Bank Operational Directive 4.30 Involuntary Resettlement	Sets out objectives, principles and guidelines to be followed for projects involving involuntary resettlement
World Bank Operational Directive 4.20 Indigenous Peoples	Sets out policies and guidance for projects that affect indigenous peoples
International Finance Corporation (IFC) 'Handbook for Preparing a Resettlement Action Plan'	Provides guidance on preparing RAPs for private sector projects
International Finance Corporation Good Practice Manual 'Doing Better Business through Effective Public Consultation and Disclosure'	Provides guidance on disclosing information and consulting with project stakeholders and the public for private sector projects

3.6.1 Operational Directive 4.30 on Involuntary Resettlement

OD 4.30 describes the World Bank's policy and guidelines for projects that involve involuntary resettlement. It also establishes the requirement for preparation of a RAP for any project with significant resettlement. The content of a RAP is prescribed.

Under paragraph 3, OD 4.30 sets out objectives for resettlement project preparation and design. A key principle of the policy is that PAP should be assisted 'to improve their former living standards, income earning capacity and production levels' or '...at least to restore them'.

Table 3-04: Objectives of Operational Directive 4.30 on Involuntary Resettlement

Clause	Key points	Content
3a	Avoidance or minimization of involuntary resettlement	Involuntary resettlement should be avoided or minimized wherever feasible project design should explore all viable project alternatives to reduce the need for resettlement
3b	Development of resettlement plans; compensation at full replacement cost and restoration of living standards and livelihoods	Where resettlement is unavoidable, a RAP should be completed and implemented Involuntary resettlement should be conceived and carried out as development programmes and displaced persons provided sufficient investment resources and opportunities to share in project benefits Displaced people should be: (i) Compensated for their losses at full replacement cost prior to the actual move; (ii) Assisted with the move and supported during the transition period; and (iii) Assisted in their efforts to restore or improve their former living standards, income earning capacity and production levels
3c	Community participation in the planning process	Community participation should be an integral part of planning and implementing resettlement Wherever possible, appropriate patterns of social organisation should be established and existing social and cultural institutions of the displaced people and their hosts supported and used
3d	Integration with host communities	Displaced people should be integrated socially and economically into their host communities so that impacts on host communities are minimised Where possible, resettlement should be into areas benefiting from the Project and should involve consultation with the future hosts
3e	Absence of legal title to land should not be a bar to compensation	Land, housing infrastructure and other compensation should be provided to adversely affected populations, squatters, non-registered land users and ethnic minorities, and pastoralists with customary rights to the land or other resources to be taken by the project Absence of legal title to land by such groups should not be a bar to compensation.

3.6.2 Operational Directive (OD) 4.20 on Indigenous Peoples

OD 4.20 provides policy guidance to ensure that indigenous people benefit from development projects and avoid or mitigate potentially adverse effects on indigenous people caused by Bank-assisted activities.

Key provisions of OD 4.20 are presented in Table 3-05 set out below:

Table 3-05: Key Provisions of Operational Directive 4.20 on Indigenous Peoples

Clause	Key points	Content
6	Respect for dignity, human rights and cultural uniqueness of Indigenous Peoples and appropriate socio-economic benefits	The broad objective for Indigenous Peoples is to ensure that the development process fosters full respect for their dignity, human rights, and cultural uniqueness. Another objective is to ensure that Indigenous Peoples do not suffer adverse effects during the development process and that they receive culturally compatible social and economic benefits.

Clause	Key points	Content
8	Informed participation, consultation, incorporation of indigenous knowledge and use of Indigenous Peoples specialists	<p>The strategy for addressing Indigenous Peoples issues must be based on the informed participation of Indigenous Peoples themselves.</p> <p>Core activities for any project that affects Indigenous Peoples and their rights to natural and economic resources include identifying local preferences through:</p> <ul style="list-style-type: none"> - Direct consultation; - Incorporation of indigenous knowledge into project approaches; - Appropriate early use of experienced specialists.
9	Benefits to Indigenous Peoples from development investments	A full range of positive actions by the project sponsor must ensure that Indigenous Peoples benefit from development investments.
10	Indigenous Peoples issues addressed through EIA and SIA processes	Indigenous Peoples issues are commonly identified through the EIA or SIA processes, and appropriate measures should be taken under environmental mitigation actions.
13	Requirement for Indigenous Peoples Development Plan	<p>For an investment project that affects Indigenous Peoples, the borrower should prepare a Sakhalin Indigenous Minorities Development Plan (SIMDP).</p> <p>Any project that affects Indigenous Peoples is expected to include components or provisions that incorporate such a plan.</p>

Issues related to IP are discussed in SIA, SIAA and SIMDP.

3.6.3 International Finance Corporation Good Practice Manual on Public Consultation and Disclosure

The International Finance Corporation (World Bank Group) has published guidelines for private sector developers on disclosing information and consulting with the public. Key principles established by the guidelines include:

- Information about the project should be disclosed as early as possible;
- Disclosure of project environmental and social information should be an integral part of the public consultation process, with information being provided about both benefits and disadvantages of the project;
- Information should be clearly presented in appropriate local languages and dialects and in modes that are sensitive to local communities; and
- Information should be disclosed in locations that are open to the public and that are readily accessible to Project-affected people.

3.7 COMPARISON OF RUSSIAN LEGISLATION AND OD 4.30 PRINCIPLES

3.7.1 Similar provisions as accorded by Russian Legislation and OD 4.30 principles

Current Russian Law accords with many of the principles of OD 4.30 in full or in part. These include:

The requirement to pay compensation (in advance) where land is compulsorily acquired (Land Code, article 57); Article 15 of the RF Civil Code provided principles of calculating the amount of losses of an affected party (land user). Statutory definition of losses includes a) expenses which the person whose rights have been damaged has incurred or will have to incur in order to restore the damaged rights, b) loss of damage of property and c) income not received, which the person would have

received under ordinary conditions without the suffered damage to his/her rights. a) and b) amount to actual losses, c) stands to lost profits.

Russian law does not require payment of the full compensation prior to the commencement of any civil work. Compensation will be effected as agreed by the parties to compensation agreement. SEIC will ensure that no civil work commences until there is full payment of compensation, as required by the World Bank guidelines. Some of the provisions where the OD 4.30 principles are met include:

- The need to compensate based on full market value, or through granting another plot of land or building of equal quality, size and value (Land Code, article 57.1);
- The need to avoid, wherever possible, impacts on agricultural land and forests (Sanitary Rules and Standards 2.2.1/2.1.1.1200-03 'Sanitary Protection Zones and Sanitary Classification of Enterprises, Facilities and Other Constructions'); and
- The requirement to compensate for losses in production (whether temporary or permanent) or damage to productive assets and crops (Decree No. 77 of the Government of the Russian Federation dated 28 January 1993).

3.7.2 Differences in the requirements of the Russian legislation and OD 4.30 principles

There are certain areas where there are differences between requirements under OD 4.30 and under Russian legislation. Some principal differences include the following:

- Under Russian legislation, there is no requirement for preparing a RAP or undertaking resettlement planning procedures such as a 'socio-economic survey', 'consultation', or 'monitoring';
- Some categories of land users who are required to be assisted under OD 4.30 are not eligible for compensation under Russian legislation (e.g. those who do not have legal title to the land they are utilizing);
- Types of assistance to be offered to PAPs are more extensive under OD 4.30 than under Russian legislation;
- Under Russian legislation land is compensated for on the basis of losses, inputs and improvements made to the land, not in terms of 'market value' of equivalent replacement land;
- Under Russian legislation a private commercial company cannot control provision of any replacement land since legitimate land allocation mechanisms are all under the authority of state or municipal executive bodies;
- Under Russian legislation, there is no requirement for particular attention to be paid to vulnerable groups apart from the general land selection requirements and accounting for opinion of small-numbered or indigenous groups per Article 30 of the Land Code; and
- Russian legislation does not require a formal grievance resolution process apart from through court proceedings and general pre-court negotiations between the parties.

Some of the above points are expanded below.

3.7.2.1 Eligibility for Compensation

The categories of people who must be compensated under OD 4.30 are more extensive than those defined under Russian Federation law. Under Russian legislation, the only people and entities entitled to compensation are those with

registered property rights, i.e., registered landowners, leaseholders and those with registered third party use rights. Informal users, customary users of state lands (such as for grazing, hunting, fishing), and those who have continued to use lease areas after their lease expiry, or who have not registered their leases, are not recognised as an affected party and therefore have no entitlement to compensation. In contrast, OD 4.30 indicates that land, housing, infrastructure and other forms of compensation should be provided to the ‘...adversely affected population, indigenous groups, ethnic minorities, and pastoralists who may have customary rights to the land or other resources...’ Also, ‘...the absence of legal title to land by such groups should not be a bar to compensation...’ (Paragraph 3e). Under OD 4.30, the basic criterion for eligibility is to be adversely affected (physically or economically) by the Project.

3.7.2.2 Extent of Compensation and Resettlement Assistance

Under current Russian legislation, compensation is payable for loss of land, buildings, crops, assets, profit and other damages arising from the temporary or permanent acquisition of land for a project. In addition to compensation for losses of land and productive assets, OD 4.30 requires that resettled people be:

- Assisted with their move and supported during their transition period at the resettlement site; and
- Assisted in their efforts to improve their former living standards, income earning capacity, and production levels, or at least to restore them.

The latter requirement implies an ongoing commitment from the Project. OD 4.30 notes that monetary compensation alone is seldom adequate to restore lost production (Clause 4).

For projects where non-agricultural people are displaced, or where the replacement land available to accommodate displaced farmers is insufficient, OD 4.30 requires that affected people be provided with access to training, employment and credit (Clauses 5(h) and 18). In the case of the Sakhalin Project, there is generally abundant un-utilized agricultural land. Where it is the preference of the Project affected household, SEIC’s approach focuses on providing equivalent replacement agricultural land, of equal quality, in preference to training and employment.

Other types of loss that are recognized under OD 4.30 as needing to be addressed, although they are not recognised by Russian law, are loss of access to:

- Public services;
- Customers and suppliers; and
- Fishing, grazing and forest areas.

OD 4.30 notes that such losses cannot be easily evaluated or compensated in monetary terms, but emphasises the need for attempts to be made to establish access to equivalent resources and earning opportunities (Clause 15).

3.7.2.3 Attention to Vulnerable Groups

OD 4.30 makes reference to the need to pay particular attention to what the policy terms ‘vulnerable groups’. Vulnerable groups may include ethnic minorities, the elderly, very poor, landless and semi-landless, and households headed by females. These groups are noted as being potentially at greater risk of being impoverished as a result of physical or economic displacement because they may not be protected through national legislation or may be less well positioned to take advantage of project resettlement assistance and benefits sharing opportunities. OD 4.30 also calls for special provision for vulnerable groups as ordinary mitigation measures may prove to be insufficient.

3.7.2.4 Market/Replacement Valuations of Structures/Crops

In general, Russian law provides for compensation that recognises investments in land and land improvement rather than its market value. For example, where farmland is removed, compensation provides for costs associated with the development of new land. Restoring affected farmland includes requirements for reusing disturbed fertile soil, re-cultivation and damages that include actual losses as well as lost profits.

Evaluation of the compensation value of houses, farm buildings and other structures is based on the cost of the construction of new houses, farm buildings and other structures of equal area, capacity and utilities. If the value of the newly-constructed premises is higher than that of the existing ones, Russian regulations state that the affected land user pays the difference in values.

3.7.2.5 Grievance Procedure

Under Russian Federation legislation, a Project affected person or entity that has a complaint about the acquisition of his or her land, or the amount of compensation that is offered, has recourse to petition the courts. Current legislation certainly does not rule out negotiations, but also does not place any emphasis on the need for pre-judicial processes.

However, IFC policy considers timely redress of grievances to be vital to the satisfactory implementation of resettlement and to completion of the project on schedule. The project sponsor must ensure that procedures are in place to allow affected people to lodge a complaint or a claim (including claims that derive from customary law and usage) without cost and with the assurance of a timely and satisfactory resolution of that complaint or claim. Grievances are best redressed through project management, local civil administration, or other channels of mediation acceptable to all parties. Such channels of mediation may involve customary and traditional institutions of dispute resolution. The project management should make every effort to resolve grievances at the community level. Recourse to the legal system should be avoided except as a last resort.

SEIC has provided for a Grievance Procedure to meet the above requirements. This mechanism has been operational since 2003, and before any construction activities were initiated by the project (with the exception of some infrastructure upgrade works). The grievance process has been recently improved and made more transparent and accessible for all Project affected groups. The new revision includes a public information leaflet which is made available on the Company's website in the PCDP, in local libraries specified in the PCDP or through the CLO network. More complete details of the Grievance Procedure have been provided in Section 8.6.

3.8 PROJECT MEASURES TO SUPPORT COMPLIANCE WITH THE WORLD BANK GROUP POLICY REQUIREMENTS

Project measures to support compliance with OD 4.30 principles are summarized in Table 3-06. These measures are over and above the requirements of applicable Russian Federation Laws.

In addition, the Project has made public commitments to accord with principles of the World Bank Group OD 4.30 and OD 4.20 described above. Key principles include the following:

- Satisfy Russian regulatory requirements and conditions agreed to with local authorities when the pipeline ROW was established;
- Recognise uses of land, rights to land and investments in the land which may fall outside the Russian regulatory system;

- Ensure a transparent process through extensive participatory consultation with affected land users and documentation of communications and actions;
- Provide compensation based on full replacement cost, not market value;
- Provide compensation for the loss of a wide range of resources;
- Ensure people to whom compensation is paid are the same or better off after the Project;
- Reach mutually satisfactory compensation solutions through 'reasonable' negotiations with recipients and local authorities; and
- Provide land users with the ability to seek resolution of compensation-related grievances through a transparent low or no cost grievance process in addition to those means available under Russian law.

The SEIC Supplemental Assistance Programme was developed and implemented to address issues of compliance with the World Bank policy requirements based on the above-listed key principles. The programme includes:

- A systematic process for identifying potentially affected people;
- Evaluation of eligibility for supplemental assistance;
- Provisions for supplemental assistance; and
- Follow-up monitoring to ensure that people and enterprises are no worse off after the Project than before.
-

Table 3-06: Project Measures to Support Compliance with OD 4.30

Compliance Issue	Project Commitment
Gaps between Russian legal requirements and World Bank policies	SEIC will plan and carry out land acquisition, resettlement and compensation in accordance with World Bank principles and, where necessary, utilise the Supplemental Assistance Programme to deliver compensation and assistance to meet World Bank standards. Please see Sections 3.6, 3.8 and 6.
Gaps between extent of compensation and resettlement assistance to provided to meet OD 4.30 and Russian legislative requirements	SEIC will compensate in accordance with the provisions of OD 4.30 or Russian Federation legislation, whichever is more extensive. Please see Sections 3.2, 3.7 and 3.8. The Supplemental Assistance Programme will be drawn on as necessary to meet this commitment. Please see Section 6.
No Russian legislative requirement for preparation of a RAP	Has undertaken to carry out resettlement planning activities and to prepare a RAP in accordance with OD 4.30. Please see Sections 1 and 3.8.
World Bank Group requirement for avoidance/ minimization of resettlement	SEIC has thoroughly explored project alternatives and siting options for permanent and temporary facilities and the pipeline ROW. The selected options minimise the Project land take and need for resettlement. Please see Sections 2.3-2.10.
Compensation at full replacement cost*	Where resettlement includes physical displacement as a result of Project activities and where it is consistent with the preferences of the PAP, SEIC will provide replacement land and structures equivalent to or better than those lost to the Project. Please see Sections 1.4, 1.8, 2.3, 3.3.1, 3.7, 3.8, 6.1-6.4 and 7.4. Replacement value of an affected asset is equivalent to the amount required to replace the asset in its existing condition. The Project has supported third party verification to verify that compensation rates for land, crops and assets to be used by the Project do in fact represent 'full replacement cost'. Please see Sections 6.4 and 9.

Compliance Issue	Project Commitment
Improve (or at least restore) living standards and livelihoods	<p>SEIC has adopted this as a core goal of the RAP. In all cases, PAP will be assisted with livelihood restoration measures. Please see Sections 3.8, 6.3, 6.5 and 9 and Tables 6-06 and 6-09.</p> <p>Monitoring for effective livelihood restoration will be conducted for 36 months after the last physical relocation. Please see Section 9.2.</p> <p>At this time, an independent third party will conduct a completion audit to confirm living standards and income levels of Project-affected people have been fully restored. See Section 9.1.3.</p>
Absence of legal title to land should not be a bar to compensation	For Project-affected groups without legal title, the Project will provide appropriate resettlement assistance by helping them, where feasible to regularize their tenure, or otherwise by use of the Supplemental Assistance Programme. Please see Sections 6.2-6.5, Figure 7-01 and Sections 7.3-7.6.
Russian law does not recognise the need to provide compensation to people or entities without registered title to land or immovable assets	The Company will assist any Project-affected landowner, leaseholder or those with third party rights with ownership documents to register their titles in order to formalise their right to compensation under Russian legislation. Please see Sections 3.4, 6.2- 6.5, Figure 7-01 and Sections 7.3-7.6 of the RAP.
Special attention to vulnerable groups	Through the census and socio-economic surveys, SEIC has identified a number of vulnerable groups and the RAP has given specific focus to these. Please see Sections 1.8.3, 6.5-6.6 and Tables 6-04 and 6-06.
Provide avenues for PAP to lodge a grievance	<p>Should PAP have issues with the resettlement and compensation claims process they will be able to make a claim under the Resettlement and Compensation Claims Process. If they feel that their needs and concerns have not been adequately addressed they will be able to lodge a grievance under the Grievance Procedure. See Section 8.6.</p> <p>Complainants also always have recourse to judicial processes under Russian Federation law.</p>

* In instances of economic displacement as a result of Project activities (for example, as a result of noise, dust, deterioration in infrastructure), SEIC will compensate for established loss. Please see Section 6.3.2.

3.9 FURTHER COMMENTS ON LEGISLATIVE FRAMEWORK AND SUMMARY OF SEIC LAND ACQUISITION STRATEGY

Any summary of the Russian legislative and regulatory framework must emphasize that there is much legal uncertainty because of ambiguities and contradictions in federal laws, normative acts, regulations, regional and municipal decrees, and other sources of law in the Russian Federation. The summary above contains our current and best understanding of land acquisition and other laws and regulations which affect the Resettlement Action Plan, but as the Russian legal system matures and more clarity is achieved, some statements and descriptions above may have to be modified. One must also consider Russian land rights practice where it differs from practice in other areas of the world. For example, in Russia pipeline right-of-way after completion of construction is often secured by statutory limitations, perhaps the least secure form of land use rights.

One should also recognize that actual land needs can never be fully known until all construction is complete and the operational phase has commenced, so although land use estimates shown above are based on our best current information, final land

areas acquired could differ from estimates. Possible changes in land use estimates further affect land needed for Sanitary Protection Zones and Safety Exclusion Zones.

A short summary of SEIC's overall land acquisition strategy in light of such legal and construction/operational uncertainty may be useful. Most of the on-shore facilities other than pipelines, such as the OPF site, the LNG site, the Oil Export Terminal and the Gastello Booster Station, are located on municipality-controlled land. SEIC on at least two occasions has formally petitioned Sakhalin Oblast Administration to assist in the delineation process for this land, which would probably result in control of the land being transferred to Sakhalin Oblast or the Federal Government. To date Sakhalin Oblast Administration has not agreed to support the delineation process. Even if delineation were commenced soon, time would be needed to complete the various requirements.

Since it may take considerable time to start and complete the delineation process, SEIC considers it prudent to negotiate long-term land leases with the municipalities who currently control this land. A long-term lease for the OPF site has already been signed, and negotiations with other municipalities are underway. However, the lack of delineation, which could have provided a uniform approach to the acquisition of municipality-controlled land, in part explains why different approaches have been required when negotiating with different municipalities, whose positions on land lease provisions often differ.

Pipeline right-of-way land presents a more complicated legal picture. Most of the needed land is located in Federal Forestry areas, and forest land use rights must be obtained and will be obtained by the company. However, the pipeline right-of-way in some areas crosses land held in private ownership and in other areas municipality-controlled land.

As stated above, SEIC will seek to compensate private landowner for transferring land ownership to the applicable government unit, whether federal, regional (Sakhalin Oblast) or municipal. An agreement between SEIC and the governmental unit will then be negotiated for the right-of-way.

The exact nature of the rights to land required for the Sakhalin II Project —lease, use, servitude or statutory limitations—is still not resolved and will largely be subject to further negotiations with land owners and local and Federal authorities.

4 PROFILE OF PROJECT AFFECTED GROUPS

4.1 INTRODUCTION

This section contains a profile of the Project affected groups. A brief description of each affected category is provided here while detailed information of the affected communities is provided in the SIA.

As part of the Social Impact Assessment (SIA), Social Impact Assessment Addendum (SIAA) and RAP preparation, the Project has conducted a census of Project-affected households and an extensive socio-economic survey. The socio-economic survey gathered basic information about household demographic characteristics, access to social infrastructure and income and expenditure patterns. They also gathered information about affected people's preferences for compensation and attitudes towards the Project.

This chapter presents summary information about each of the principal Project affected groups. For more detailed information, reference should be made to the Project Social Impact Assessment available on the Project website.

As per the World Bank OD 4.30, PAP are those who experience physical or socio-economic displacement as the result of a project, whether temporary or permanent, and with or without the requirement to relocate. Displacement can arise from loss of land (temporary or permanent), housing, assets, loss of income or employment, or loss of access to natural resources.

4.2 PROFILE OF THE PROJECT AFFECTED HOUSEHOLDS

The socio-economic survey covered all the affected households that are impacted by the various project components. These households include private land users (registered & non registered), farms, and reindeer herders. The number of households affected by the Sakhalin II Phase 2 Project is summarised in Table 4-01. Figures in brackets denote number of persons.

Table 4-01: Summary of Project Affected Households/Persons and Enterprises as of May 2004

	Land Status			Private Landowner & Users (No. of households) (Figures in brackets denote number of persons)						Enterprises & Other Entities (No.) (Figures in brackets denote number of employees)					
	Description	Direct Impact or SPZ	Land Use	Permanent Households	Seasonal Dachas	Individual Potato/Hay Fields	Small Farmers	Reindeer Herders	Total House-holds	Fishing Enterprises	Other	Agricultural Enterprises	Federal Forest Service	Administration Lands	Total Entities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
A	LNG Plant/Oil Export Terminal	Direct	Permanent	3 (7)	2 (7)	-	1 (2)	-	6 (16)	1 (50 perm, 120 temp)	3	1 (196)	1 (64)	2	8
B	LNG Plant/Oil Export Terminal	SPZ	Permanent	100 (300)*		-	1 (3)	-	1 (3)	2 (40 perm,	0	1 (196)	1 (64)	1	5

	Land Status			Private Landowner & Users (No. of households) (Figures in brackets denote number of persons)						Enterprises & Other Entities (No.) (Figures in brackets denote number of employees)					
	Description	Direct Impact or SPZ	Land Use	Permanent Households	Seasonal Dachas	Individual Potato/Hay Fields	Small Farmers	Reindeer Herders	Total Households	Fishing Enterprises	Other	Agricultural Enterprises	Federal Forest Service	Administration Lands	Total Entities
										250 (temp)					
C	Pipeline	Direct	Temporary	0	2 (4)	97 (303)	13 (45)	5 (57)	117 (409)	0	8	16** (1009 perm, 587 temp)	9** (584 perm, 206 temp)	27**	60**
D	Pipeline	SPZ	Permanent	1 (4)	TBD***	TBD***	TBD***	TBD***	1 (4)	0	TBD***	TBD***	TBD***	TBD***	TBD***
E	OPF	Both	Permanent	-	-	-	-	-	0	0	0	0	1 (48)	0	1
F	GBS	Both	Permanent	-	-	-	-	-	0	0	0	0	1 (106)	1	2
G	Total			4 (11)	4 (11)	97 (303)	15 (50)	5 (57)	125 (432)	3 (90 perm, 370 temp)	11	16 (1009 perm, 587 temp)	9 (584 perm, 206 temp)	27	60****

* These 100 dachas from 2 dacha communities fall outside the 1km SPZ. They have however been identified as potentially impacted with socio-economic displacement. The total number of people in the impacted dacha communities has been extrapolated from the information from a survey of 33 households in the dacha community in view of that the average family size is 3.

** Includes enterprises that are also affected by land needs for the LNG Plant/Oil Export Terminal, or OPF, or GBS.

*** To be determined following resolution of the mechanism for acquiring rights to land necessary for pipeline operations.

**** All affected households or enterprises are only counted once.

4.2.1 Distribution of Households

In total 125 households having 432 people will be affected by both permanent and temporary land loss. 10 households (27 individuals) will experience permanent loss of land for the LNG Plant/Oil Export Terminal and its Sanitary Protection Zone. Of these, 6 households (16 individuals) (3 permanent house owners, 2 dacha users and 1 farmer) were required to physically relocate. In total 117 households (409 individuals) will be affected by temporary loss of land during the three-year pipeline construction period.

This includes 97 (303 individuals) potato/hayfield lands, 2 (4 individuals) seasonal dachas, 13 (45 individuals) small farmers and 5 (57 individuals) reindeer herders. A further 1 household (4 individuals) will be required to relocate from their present dwellings which are within the pipeline Safety Exclusion Zone. Distribution of PAPs by Project components is summarised in Table 4-02 below.

Table 4-02: Distribution of Project Affected People (PAPs) according to Project Components

Project facility	No. PAPs				No. Vulnerable PAPs ⁷				No. PAP of Reindeer Herders Families			
	M	F	Perm	Temp	M	F	Perm	Temp	M	F	Perm	Temp
Pipeline	199	210	-	409	156	170	-	326	32	25	-	57
Pipeline SPZ	2	2	4	-	1	3	4	-	-	-	-	-
LNG/OET	8	8	16	-	7	7	14	-	-	-	-	-
LNG/OET SPZ	1	2	3	-	-	-	-	-	-	-	-	-
Total	210	222	23	409	164	180	18	326	32	25	-	57

The affected households span across communities presented in Table 4-03 set out below:

Table 4-03: Distribution Across Communities

Project Affected Communities	Number of Households
Aniva	2
Buyukly	1
Firsovo	3
Gastello	2
Kluchy	3
Korsakov	4
Koshevoye	1
Makarov	1
Matrosovo	2
Novoye	23
Podgornoye	3
Poronaisk	1
Prigorodnoye	5
Pugachevo	1
Smirnykh	2
Sokol	4
Sovetskoye	14
Troitskoye	2
Tymovsk	3
Val	5
Voskhod	17
Voskresenovka	9

⁷ Reindeer herders are included within figures for Vulnerable PAPs.

Project Affected Communities	Number of Households
Vostochnoye	1
Vostok	11
Yuzhno	5
Total	125

A majority of the Project-affected families belong to the Novoye, Voskhod and Sovetskoye communities.

4.2.2 Infrastructure and Amenities⁸

4.2.2.1 Access to Medical Facilities

90.4% of Project affected households report that there is availability of medical facilities in the villages. Amongst the families surveyed more people access polyclinic/ambulances than the district hospital.

Table 4-04: Availability of Medical Services

Availability of medical services in village	No. of responses	%
Yes	113	90.4
No	12	9.6

Note: Medical facilities though available to all may be difficult to access by those who responded negatively due to transport problems

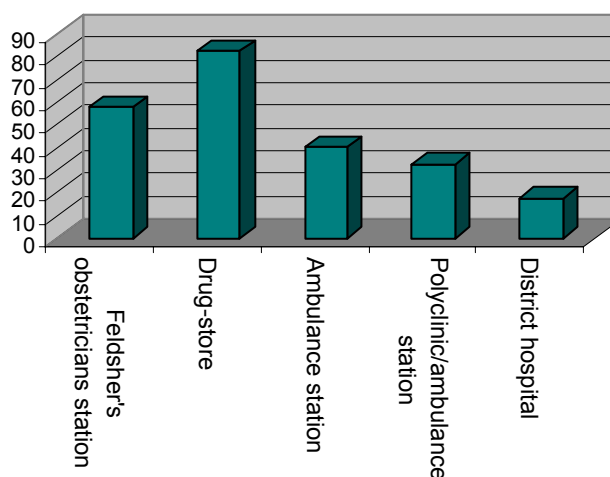


Figure 4-01: Access of the PAFs to Various Types of Medical Facilities, %

⁸ As 89% of all the project affected households fall under the vulnerable category, this access profile of all the households adequately represents the access profile of the vulnerable families too.

4.2.2.2 Access to Education Facilities

Most PAPs have access to education. 80 respondents reported that they have a kindergarten school, 107 a high school and 14 a college in their villages.

Most of the colleges are located in district centres. 85% of people feel that they have good access to education facilities. Those that reported difficulties attributed it to distance or lack of good transport facilities.

Although there are bus services in all the areas affected, 41% of the Project Affected Families (PAFs) stated that they do not have access to good transport facilities.

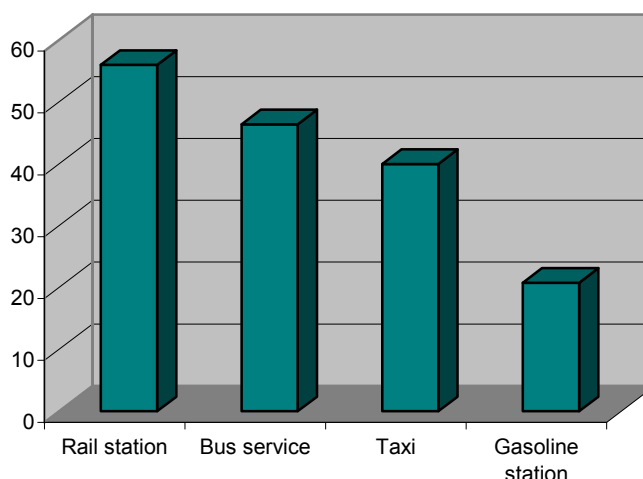


Figure 4-02: Types of Transport Facilities and Access of the Project Affected Families, %

4.2.3 Private Households Affected by Pipeline Construction

There are 117 private households (409 individuals) affected by permanent acquisition of land or temporary use of land for the pipeline construction. Of these private households, 66 are registered users. The remainder are owners with registrable rights to land (who, for reasons explained later in the section have not completed registration formalities) or informal users.

90% of the affected families live in rural areas and 10% live in small towns. The average Project affected family size is three to four persons.

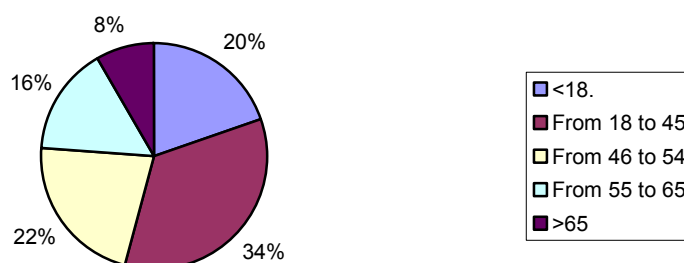


Figure 4-03: Age Characteristics, %

All the families own their dwelling places and have movable property like household appliances, furniture etc. Rural families typically own private houses consisting of 2-3 rooms, in most cases with an outhouse. Most of families have their own water supply or common wells.

The construction corridor of the pipeline route does not affect dwellings, with the exception of one family within the Sanitary Protection Zone of the pipeline. This family will be relocated.

Most affected rural landowners and users have more than one plot of land. Typically these are house plots or dachas ranging in size from 100m² to 600m² on which their dwelling is situated. The house plot is also used for cultivating herbs and vegetables, fruit trees and berry crops for self-consumption, sale or exchange. Project permanent land requirements affect five house plots. These landowners have already received replacement houses and house plots of their choice.

In addition to a house plot and Project's affected land plot, 62% of families also typically hold one (30%) or two (28%) or three (4%) other plots, usually potato fields and hayfields. These may be owned or leased, and are most often within 1-2 km of the user's dwelling. Parts of 56 potato fields and 41 hayfields (97 total) are required by the Project for pipeline and facilities construction. Project affected potato fields range in size from 500 to 2000m². Hayfields are larger and range between 1000 to 5000m². Examples of how compensation has been calculated for loss of potato crops and hayfields under Russian legislation and Supplemental Assistance are set out at Annex B.

The incomes of rural dwellers are generally lower than for urban dwellers. Most Project affected rural households live below the regional poverty threshold.

The basic sources of income for the families are wages, retirement pensions and revenues from crops grown on land plots. Supplemental income sources include revenues from gathering forest produce, fishing, and hunting. Production for subsistence purposes is important for rural households.

According to the survey, the average per capita monthly income amongst the affected population is 4200 roubles. At November 2004, the average cost of living per person was 4400 roubles per month. Table 4-05 shows the percentage of families living below this poverty line.

Table 4-05: Distribution Across Income Levels

Income	% of the Total Number of the Affected households	Average Income per Person per month in roubles
Below the cost of living	70.40	2700
Equal to the cost of living	2.40	4400
Above the cost of living	27.20	7100 and more

In most rural districts traversed by the pipeline, there is an abundance of unutilised and unallocated agricultural land. The area of land under cultivation is much lower than it was during the Soviet era. This accords the Project the opportunity to provide replacement land to PAFs in close proximity to their earlier location.

4.2.4 Farms

Farms are established under Federal Law #74-FZ "About Rural (Farmer) Facilities". Under this law, a farm represents an association of citizens who are related and (or) who have common interests in a property used for carrying out industrial and other economic activities through personal participation. Economic activities might include

manufacturing, processing, storage, transportation or agricultural production. One citizen can form a farm.

The land of fifteen farms⁹ (50 individuals, mostly family members) will be affected by construction of Project facilities. Most of the affected farms were established in the early 1990s. The farms are generally run by families with three to five related individuals working on each farm. Some farmers hire additional temporary workers during agricultural seasons but these are only for a few days in a season and such workers tend to work in different farms in different years.

The plots of land used for agriculture are leased in five cases, owned by the farmer in six cases and in five cases they are held in lifelong inheritable possession. Project affected farms range in size from five to seventy five hectares. The average size is thirty hectares.

The main agricultural activities carried out by the farms include vegetable growing (potatoes, carrots, and other vegetables), as well as livestock production for meat and dairy produce. Several of the farms own agricultural machinery such as tractors, rotary cultivators and hay cutters. Mineral and organic fertilisers are commonly used.

The amount of land of the affected plot lost to the Project by any one farm ranges from 2% to 100% of the total land owned. In the three most severely impacted cases, where over 25% of the farms' land was affected; compensation was paid for lost income for the whole of the plot of land. In most cases, the Project affects no more than 5-10% of each farmer's land.

The Project affects small areas of hayfields, pasture and areas of unutilised land. In a small number of cases, farmland covered by woodland and shrub land is affected.

Measures to compensate and assist Project affected farmers are described in Section 6.

4.2.5 Dacha Community

In the Korsakov area there are more than one hundred dacha communities. The Project will directly impact four seasonal dachas (two by the LNG/OET and two by the pipeline). In addition, about one hundred Prigorodnoye beach area dachas (approximately 300 members), which lie outside the SPZ of the LNG terminal, may be potentially impacted by the construction activities and operation activities of the plant. The dacha residents belong to two dacha cooperatives 'Stroitel' and 'Teplovic'.

Dacha users are usually people who live in towns or big villages who generally use their dachas during the summer season from April to October primarily for the family leisure activities and for cultivation. Some people live at their dachas throughout this period, while others visit at weekends.

Dacha land plots can be used for cultivating fruits, berries, vegetables (mostly) or other agricultural crops or for family leisure activities. The average size of land plots ranges from 600 m² to 1000 m². The following structures are usually located on the land plot:

- A small single or two-floor wooden house with one or two rooms, a kitchen and a veranda;
- Further wooden structures, such as a tool-shed, a toilet, etc;
- Greenhouses;

⁹ The number was originally 16, but 1 farm is now not impacted because of the pipeline re-routing.

- Cloches;
- Flower beds; and
- Berry bushes, fruit trees, etc.

In most cases dachas land plots have an electricity supply. The dacha cooperatives usually have an individual water supply - wells, boreholes and/or rainwater which gathers in special containers. Less often dacha land plots have a centralized water supply. The sewage system is often a dug-out pit.

Dacha land plots often are established in close proximity to settlements where dacha residents have access to use long-distance bus routes or the railway. There is a variable frequency of buses in different areas. In some areas, municipal authorities establish additional bus routes during a summer season from April till October to cater for the dacha residents.

Table 4-06: Infrastructure of Stroitel and Teplovic Dacha Communities

Dacha Community	Roads	Water-supply pipes	Electric power supply	Sewerage
Stroitel	Present	Absent	Present	Absent
Teplovic	Present	Absent	Absent	Absent

There are no public sports facilities or cultural sites in these two dacha communities. Roads are unpaved. Power delivery is seasonal in Stroitel from May until November.

The majority of dacha users/owners are from Korsakov. Some of these individuals have been using these dachas communities for over 20 years.

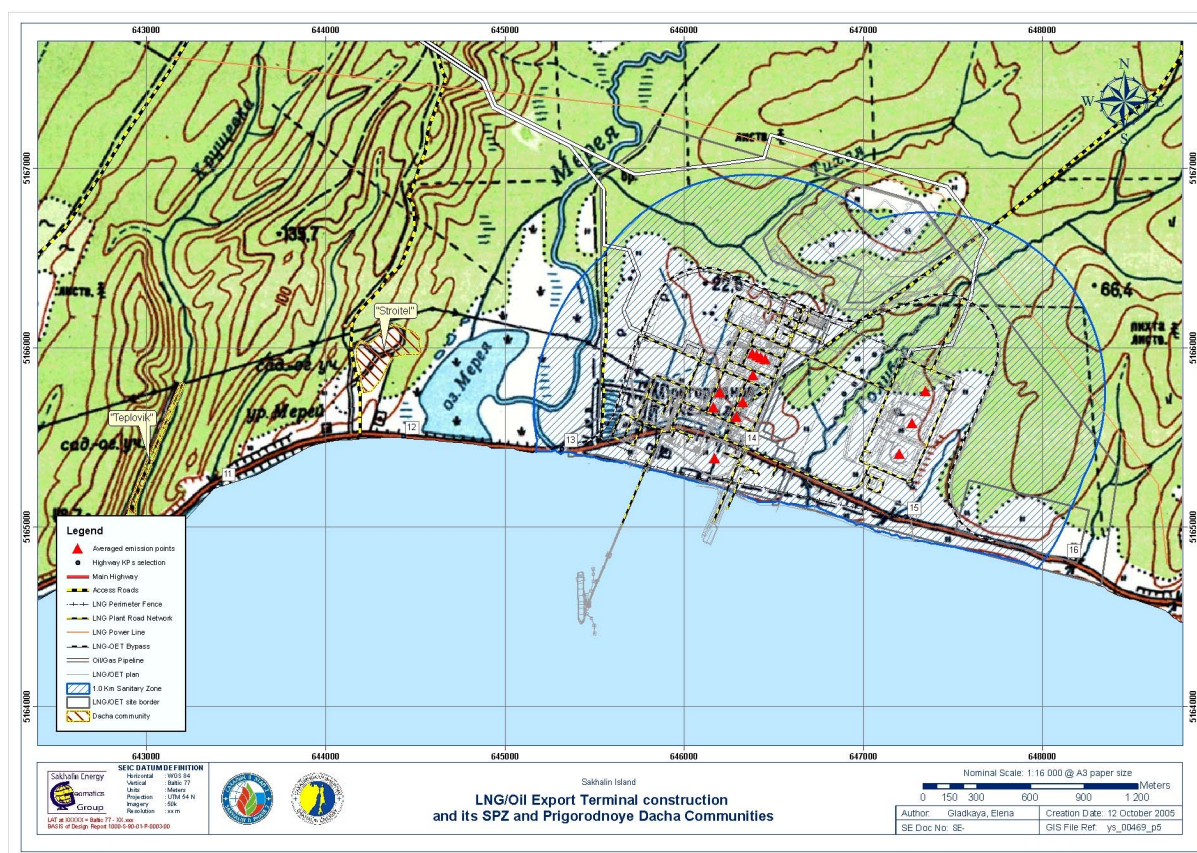


Figure 4-04: Map Illustrating LNG/OET Construction and Stroitel and Teplovic Dacha Communities

4.2.6 Reindeer Herders

The Project will affect five reindeer herder families belonging to the Uilta and Evenk communities (primarily Uilta). Uilta are also known as the Orok or Orochen. Prior to the Soviet period, Uilta herders had a varied subsistence economy of hunting, fishing, and reindeer herding. Early in the 20th century, this changed as reindeer herding was selected by the authorities to become the primary activity of the Uilta. Now one of the smallest Indigenous Peoples in the Russian Federation, Uilta which have a total population of 387 are concentrated mainly in the village of Val and the towns of Nogliki and Poronaisk. A 80% reduction in herding area over the last half-century has rendered reindeer herding a precarious occupation and now only a minority are so engaged.

As an indigenous community with specific provisions accorded to them in the World Bank OD principles, the compensation and entitlement to this category of affected households will be further enhanced by the Sakhalin Indigenous Minorities Development Plan (SIMDP). The reindeer herders are also considered a vulnerable category and more detailed profile of the affected households is presented later in this section. The reindeer herders as an impacted category have been profiled and assessed in great detail in the SIA Chapter 6 and 14 and SIMDP Section 2.

4.2.7 Subsistence Hunting, Fishing and Gathering of Forest Produce

Fishing, gathering, and to a much lesser extent, hunting are undertaken by many Sakhalin residents. Recreational fishing and gathering of berries, mushrooms, nuts and various edible plants is popular throughout Sakhalin although this is of less importance to urban than rural populations.

In rural communities, especially in the central and northern parts of Sakhalin, fishing, gathering, and some hunting form a part of many households' subsistence. These resources are also sold to generate money for other household necessities. The survey of indigenous households revealed that hunting, fishing and other forest produce forms up to 50% of indigenous households' livelihood.

People engage in fishing, hunting and gathering all year round. A calendar of the most common subsistence/recreational activities has been prepared (see Table 4-07).

Table 4-07: Calendar of Common Recreation and Subsistence Activities

Type of Resource Use	Harvesting Period
Fishing	
Salmon	August, September
Saffron cod	Winter, also other times
Gathering	
Burdock, fern, wild onion	Spring
Seaweed, scallop and other sea foods	Summer
Berries	July, August, September
Mushrooms	August, September
Hunting	
Forest mammals	All year round, but especially Winter
Marine mammals	Winter, Spring, Summer

During consultations since 2001, it emerged that in cases of Chaivo and Nogliki communities, traditional food made up to 70% of the family diet. They used fish to barter for vegetables. Nivikh residents of Nogliki, Venskoye and Chaivo also hunted seals.

The Project will only impact a very small proportion of the forests and fisheries areas that are utilized by local people for recreational and subsistence activities. Many of the permanent facilities are in remote areas that are not readily accessible to communities for subsistence uses. Losses in forest and berry fields resulting from the pipeline will be very localized.

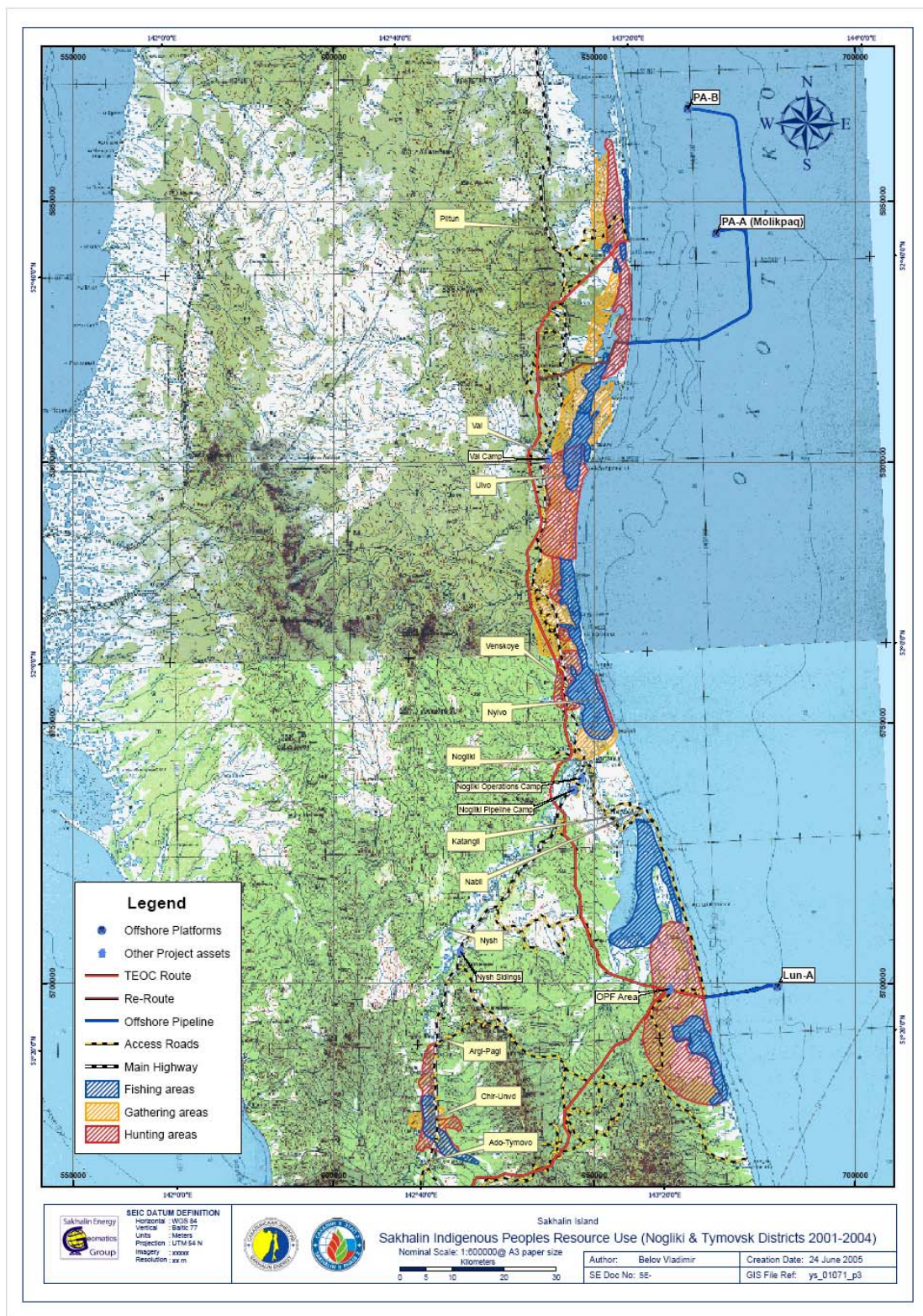


Figure 4-05: Map Illustrating Project Activities and Amend Where Subsistence Hunting, Fishing and Gathering]

Affected communities will generally have ready access to extensive alternative forests, berry fields and fisheries. As recognized in OD 4.30, such losses are difficult to quantify and evaluate. The Project has established the Supplemental Assistance Fund specifically to address these types of loss. Project measures to offset losses resulting from Project impacts on common resources are described in Section 6.

4.3 PROFILE OF PROJECT AFFECTED ENTERPRISES

Adversely impacted enterprises include agricultural enterprises, forestry enterprises and fishing enterprises (see Table 4-01). It has not been established with certainty the extent of the potential adverse impacts of the Project on smaller enterprises, so SEIC will implement a regular SPT community monitoring programme to establish if there are any potential future impacts on enterprises or individual traders.

4.3.1 Agricultural Enterprises

Pipeline construction will result in 16 agricultural enterprises experiencing short-term loss of use of parts of their agricultural land. Affected agricultural enterprises can be categorized as follows:

Table 4-08: Types of Project Affected Agricultural Enterprise

Organisation Type	Brief Description	No. of Project affected agricultural enterprises	Number of permanent personnel	Number of temporary personnel
Agricultural Production Co-operatives (APC)	Enterprises established by individuals to collectively produce, process, and sell agricultural products. These are commercial organisations. The APC's business is based on the personal work contributions of the co-operative members. APC assets are formed based on the shares contributed by the co-operative members, the income from the activities of the APC, and other income sources.	5*	300	490
Limited Liability Companies (LLC)	Companies established by one or several individuals, the founding capital of which is divided into shares of certain sizes determined in the constituting documents. The company members are not accountable for the company's liabilities and are responsible for any losses incurred by the company's activities to the limits of each member's shareholding.	3	56	31
State Unitary Agricultural Enterprises (SUAE)	Commercial organisations not entitled to the right of ownership of the property assigned to them by the owner The property of a unitary enterprise is owned by the Russian Federation, a political subdivision of the Russian Federation, or a municipal formation. In the case of Project affected lands, the Administration of the Sakhalin Region is the owner of the said property The enterprise uses the property assigned to it by the owner based on the right of business administration or on the right of operative management.	8*	653	66
Total		16	1009	587

* Two enterprises changed the form of incorporation from APC to SUAE

Project affected agricultural enterprises are predominantly engaged in the production of vegetables (potatoes, carrots, and others). A small number of enterprises specialise in livestock production for meat and dairy produce.

Agricultural enterprise land holdings range from 30 ha to 9000 ha. Land of agricultural enterprises is privately owned or leased from the State or municipal formations.

The amount of land lost to the Project by any one enterprise ranges from 0.25% to 2.3 % of the total land holding. The Project also affects small areas of unutilised land.

4.3.2 Forestry Enterprises

The Project affects a very small proportion of lands managed by nine state forestry enterprises. The forestry enterprises are geographically defined sub-divisions of the Federal Forest Service of the Russian Federation.

In accordance with Enactment of the Russian Government No. 804 as of 03.07.1997 "On Authorised State Bodies of Management in the Area of Use, Guarding, Protection of Forest Resources and Forest Reproduction", forestry enterprises exercise management of state forest lands and are responsible for the following activities:

- Exploitation and protection of forest resources of the Russian Federation ("Forest Fund" Land), and forest replacement;
- Environmental protection; and
- Protection, control, and regulation of the exploitation of animals and their habitat within Forest Fund lands.

Where the Project affects Forest Fund lands, the Company enters into arrangements with the forestry enterprises which permits use of the necessary land for construction. SEIC is also required to pay conversion fees. Upon construction completion, the Company will seek long-term leases for above ground facilities such as block valves and impose statutory limitation zones around the pipeline necessary to ensure the integrity and safe operation of the pipeline.

4.3.3 Commercial Fishing Enterprises

It is estimated that fishing employs up to 40,000 people in season and about 21,000 all the year round.¹⁰ Studies undertaken for SEIC suggest that there are approximately 654 commercial fishing vessels registered in the Sakhalin Oblast (GU Regional Centre for Coastal Fishing and Fish Finding 2003). Fishing vessels in Sakhalin predominantly use trawl, seine net, long-lines and fixed net fishing methods. Generally, large and medium-size vessels use trawls and medium and small-sized vessels use fixed gear (e.g. fish traps).

In general there are two groups of Sakhalin fishing enterprises, those involved in the complete fish production process including fishing and fish processing and those enterprises only involved in fishing. Sakhalin Oblast is one of the leaders in the RF far east fishing industry. The volume of catch and fish and seafood products are set out at Table A-06 of Annex A. Table A-07 of Annex A sets out details of fish catches in different regions.

Most fish products are sold in the Russian mainland or exported. Less than one third is sold on local markets. Fish products are one of the major export items of Sakhalin Oblast. In 2004 19.5% of fish and sea products were exported abroad valued at USD

10 SIA, Chapter 4.

141.6 million. Please see Figure A-08 of Annex A for further statistics on exported fishing and sea products.

It may be that enterprises which are linked to commercial fishing industry are indirectly impacted by Project activities. The level of any indirect impact on these ancillary industries would depend on the size of the direct impact on the commercial fishing industry, for example whether it was a local impact or industry wide, and in addition the extent of any economic ties between the ancillary industry and commercial fishing enterprises. The key ancillary industries that have economic ties with the fishing industry are:

- Fish processing companies;
- Transport companies, i.e. ships; and
- Equipment and technical services suppliers.

In addition, small fishing enterprises may potentially be impacted by Project activities. The Company is committed to collecting baseline data on small fishing enterprises and ancillary industries in order to be able to assess any potential impacts and develop appropriate mitigation measures. The Company intends to initially conduct surveys through the CLO network. CLO surveys for Aniva Bay will be complete by the end of November 2005 and for all fishing communities by the end of December 2005. The survey process will be conducted on the basis of questionnaires contained in the SEIC Handbook. Questions will relate to the following indicators and will apply to both enterprises and individuals:

- Type of enterprise/type of activity carried out by individual;
- Number of employees;
- Economic ties between ancillary industries and fishing enterprises, including native fishing enterprises,
- % of income which derives from fishing industry;
- Number of people supported by income derived from enterprise/activity;
- How many years the enterprise has been operating; and
- Key customers and/or markets

The Company will also commission an independent survey to be carried out by a third party agency. We would anticipate at this stage that the survey would be complete by the end of January 2006¹¹.

Funds will be set-a-side in the RAP budget to cover these surveys. Please see Figure 10-01.

The offshore installations that will be constructed as part of the Sakhalin II Phase 2 Project have the potential to affect commercial fishing activities. The key fishing areas have been identified as:

4.3.3.1 Commercial Fishing in the Piltun-Lunskoye Offshore Area

Commercial fishing activity in the Piltun and Lunskoye areas is low¹² according to an investigation on fishing activities, conducted by the GU Regional Centre for Coastal Fishing and Fish Finding (2003).

11 SEIC is yet to confirm which third party agency will carry out this survey or the terms of reference.

12 For details see Annexure A – Note on Commercial fishery

4.3.3.2 Commercial Shell Fish Interests of North-East Sakhalin

Commercial exploitation of the fish resources of the coastal and continental slope waters of eastern and north-eastern Sakhalin is relatively limited. This situation also applies to shellfish in the area, the stocks of which are comparatively poor. Some information on the distribution of key commercial species is available from trawl surveys undertaken by SakhNIRO.

4.3.3.3 Commercial Fishing Interests in Aniva Bay

Aniva Bay is considered to be one of the most biologically productive areas in the Sakhalin coastal region. A full description of potential fish resources is provided in the EIA (Volume 5, Chapter 1, 2003).¹³ It is thought that fish are predominantly caught by Danish seines and by fixed-gear from small seine boats.

4.3.3.4 Established Project Impacted Enterprises

The construction and operation of the LNG/Oil Export Terminal in Prigorodnoye has the potential to impact up to three privately operated commercial fishing enterprises. One enterprise (Lenbok) lost land previously used for a fisherman's camp when the LNG/OET plant was being constructed. The two other companies, Calypso and Contract, potentially face some impacts due to an overlap of 3% and 28% respectively of the Project impacted area with the agreed fishing water area (see Figure 4-04).

All of these enterprises were allocated specific fishing areas within Aniva Bay for which they have agreements with Sakhrbyvod (the local fisheries authority). The season for catching Pacific Salmon lasts from early July until the end of September. Salmon are caught using combinations of fixed and sweep nets operated from small boats. Fish are predominately sold to local or mainland wholesale customers with less fish being sold to retail customers. A brief profile of the impacted companies is provided below:

4.3.3.4.1 Contract

Contract (LLC) has been trading since the early 1990s. It is a small business enterprise with 20 permanent employees and approximately 100 temporary seasonal employees (during fish season). The key business activity is a fishing and caviar processing plant at Korsakov.

The Contract fishing area runs from the Goluboy creek to the Belokmenka river for approximately 5.5 km (see Figure 4-04). The area provides for a stable catch ranging from 300 to 350 tonnes (2002). The key fishing period for salmon is June – September. Contract fishes for other types of fish during November and April.

Contract is involved in many stages of the fishing process: from fishing and transportation to fish processing and freezing. The main products are salmon caviar, fresh and frozen salmon and other types of fish. Most product is sold outside of Sakhalin Oblast.

4.3.3.4.2 Calypso

Calypso (LLC) was established in the mid-1990s from a former enterprise. It is a small business enterprise with 20 permanent employees and approximately 150 temporary seasonal employees. The key business is a fishing and caviar processing

¹³ For details see EIA (Volume 5, Chapter 1, 2003).

plant, which is located in the Korsakov area. The fishing period for salmon is June – September. The main products are salmon caviar and frozen salmon.

The enterprise uses the fishing grounds from the Mereya river towards Korsakov (see Figure 4-04) and fish catch varies from 500 up to 1700 tonnes. Its seine nets are located 1 km from the Mereya, Nechaevka village. Calypso is involved in many stages of fish processing: from fishing and transportation to fish processing and freezing. The enterprise sells the bulk of production to one buyer on the island.

4.3.3.4.3 Lenbok

Lenbok (LLC) was established early in the 1990s. The enterprise used the fishing grounds between the Mereya river and the Goluboy brook over a 1 km distance.

Lenbok was compensated in 2003. Compensation was spent finding and obtaining alternative fish areas and further business development.

It is a small business enterprise with 50 permanent employees and approximately 120 temporary seasonal employees. Lenbok continues to practice fishing and fish processing. This is still its key business. The enterprise has a fish cannery in Korsakov which processes purchased raw material from its partners.

The fishing season for salmon is June – September. Also Lenbok catches other types of fish during November and April. Lenbok is involved in the total cycle of fish processing from fishing and transportation to fish processing and freezing. Its main products are salmon caviar, frozen salmon and additionally fresh and frozen other types of fish. Most products are sold for export.

Table 4-09: Summary of Individuals Employed at Calypso, Contract and Lenbok Commercial Fishing Enterprises

Name of Company	Number of permanent workers	Number of temporary workers
Calypso	20	150
Contract	20	100
Lenbok	50	120
Total	90	370

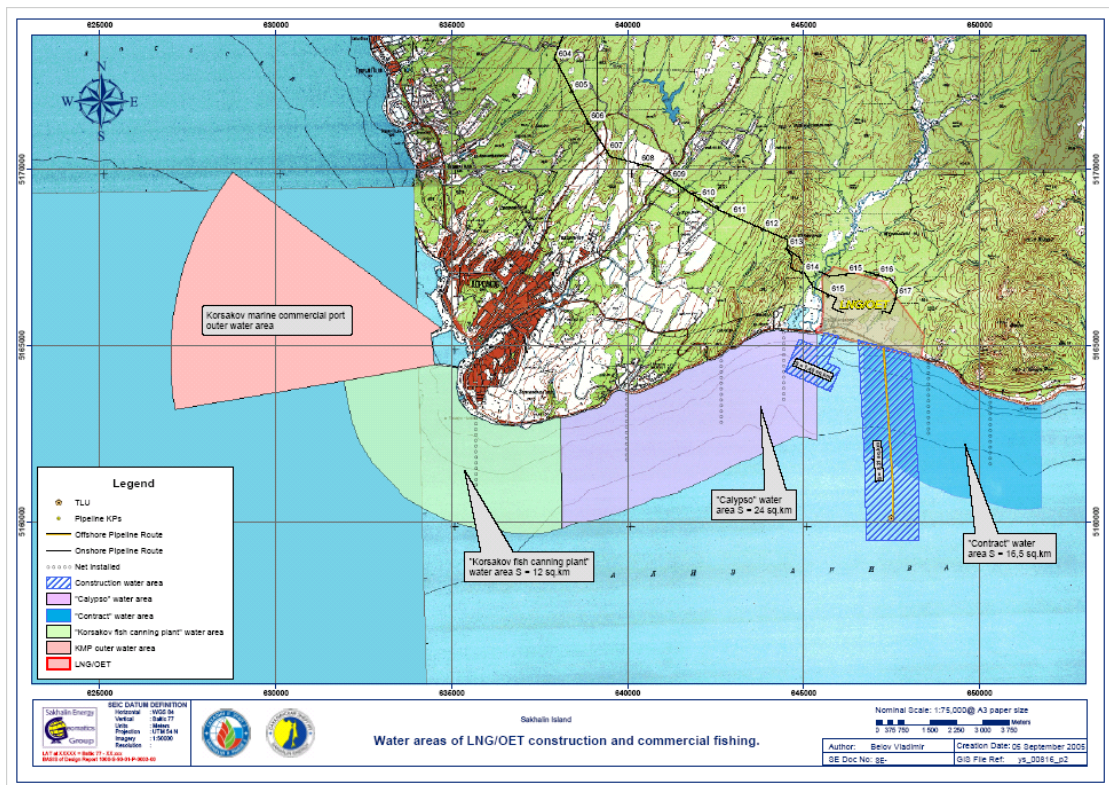


Figure 4-06: Water Areas of LNG/Oil Export Terminal Construction and Commercial Fishing

4.3.4 Native Fishing Enterprises

Nogliki district has 15 native clan enterprises, most of them involved in fishing. According to consultations held between 2003 to 2005 (and which are on-going), six enterprises had fishing and hunting grounds allocated according to an agreement with the Nogliki district forest service (leskhoz). Several of the enterprises were allocated fishing grounds on the bays for temporary or unlimited use with inheritance rights. Five enterprises engaged in commercial fishing for non-salmon species using commercial quotas. Most enterprises fish for salmon species using mainly personal use quotas from family or from the local community. Four enterprises fished pink salmon using quotas according to an agreement with the "Vostok" collective to use scientific catch quota negotiated with the Sakhalin Institute of Fisheries and Oceanography, SakhNIRO. Questions directed at identifying links between native fishing enterprises and small-scale and/or ancillary enterprises will be included in the CLO survey of ancillary fishing enterprises to be carried out by the end of 2005.

Three enterprises hired workers during the fishing season, while the rest managed on their own, using family members/community members.

There was a general concern about decline in some species specifically saffron cod. Fishermen have been observing a decline in fish quality and increased bay pollution, even in 2001-2002.

As part of the SIMDP, potential negative impact from Project-related activities and relevant mitigation measures are being discussed by the SIMDP Working Group Committees, comprising of IP and Oblast authorities' representatives, as well as SEIC experts. Potential impact on fishing is discussed within the Sustainable Resource Use Committee. The results of the discussions will be part of SIMDP Section IV (will be published early 2006). Detailed data on native fishing enterprises including figures on the number of PAP falling into this category will be available following completion of the 2005 IP Survey by the Company. According to preliminary data an estimated 42

people (each of the 6 impacted enterprises is on average composed of 5 family members and 2 permanent staff), and up to 30 temporary workers are involved into native fishing enterprises (see Table 1-04).

4.3.5 Municipal Formations

Municipal formations are local government administrative entities that in the Sakhalin Region include villages, settlements, towns, district centres and their voluntary associations. These entities have municipal land and property, local budgets and are governed by elected bodies.

The Project construction and operation area affects land of 27 municipal formations and of the Administration of the Sakhalin Region. Affected formations include 10 districts, 14 rural districts, 3 settlements and the Sakhalin Region Administration.

Municipal land affected by the Project is generally remote from settlements and unutilised. The total area of municipal formation land affected by the Project is 2005 hectares. In most cases, as a result of leases taken out by SEIC, the municipal formations will receive rental payments from the Project for this land, which is otherwise unproductive. This revenue stream will provide a net benefit to affected municipal entities.

About 35% of the Project affected municipal land is used communally or leased for agriculture. Registered users of this land will be entitled to compensation under Russian Law. Other users will be assessed for eligibility under the Supplemental Assistance Programme.

4.3.6 Other Enterprises and Entities

Project land requirements will affect small areas of land controlled by other state ministries, departments or government agencies. This category includes 11 entities including the following:

- Russian Ministry of Defence;
- Motor transport enterprises;
- Railway transport enterprises;
- An institution attached to the Ministry of Justice; and
- Other organisations.

Lands of the Ministry of Defence, Ministry of Justice and several other state enterprises affected by the Project are presently unutilised so there is no significant impact on assets or livelihoods. Land of motor transport and railway enterprises is generally only affected at crossings where the pipeline is required to pass under existing road or rail infrastructure.

4.4 PRIGORODNOYE BEACH USERS

Construction of the LNG Plant/ Oil Export Terminal requires the withdrawal of part of the Prigorodnoye Beach, a summer recreation area popular with local residents. Prigorodnoye Beach became popular in the early 1990s when other local beaches that had been widely used in the 1970s and 1980s became increasingly polluted with domestic and industrial waste.

In addition, several other popular beaches around Aniva Bay became difficult to access after road bridges collapsed. The increasing ownership of cars by Korsakov families in the 1990s made it easier for them to access Prigorodnoye Beach and contributed to its popularity.

Prigorodnoye Beach did not have official status as a recreation area. There was therefore no legal obligation for SEIC to pay any compensation, other than to make lease payments for the land during the life of the Project. This situation notwithstanding, Korsakov District Administration requested that an alternative recreational beach be made available for the Korsakov community as one of the Preliminary Land Allocation conditions for the LNG site.

The consultative process and activities that are underway to identify and develop an alternative recreation resource to Prigorodnoye Beach are described in Sections 6.3.3 and 8 of this document, SIA section 12 and Appendix D of SIAA.

4.5 VULNERABLE GROUPS

In the course of preparing the Project SIA and RAP, the SEIC SPT has identified certain Project-affected ‘vulnerable groups’. These vulnerable families cut across impacted categories and certain parameters have been used to ascertain their vulnerability. Vulnerable people in the Project include those who as a result of age, gender, physical or mental disability, economic circumstances or ethnic background may be less able to benefit from the Project compensation. It also includes groups or individuals who, though displaced, may not be protected or eligible for compensation under prevailing national land legislation such as non-registered users of land. It is assumed that there could be many reasons for them using the land without legal rights (see following section on non-registered users for details) and some of these would indicate economic vulnerability.

About 89% of the Project affected households are assessed as potentially vulnerable. These households generally fall into one or more of these four categories. The table below presents the vulnerability criteria used to identify such households.

Table 4-10: Characteristics of Vulnerable Families in Project Area

Vulnerable Group	Reasons for vulnerability
Elderly households	Low level of mobility. High dependency on garden plot cultivation. Pensions lower than subsistence minimum
Low income households	Dependency on garden plot cultivation High unemployment and low level of economic activity in poor communities where they tend to live
Non-registered land users	No legal rights under Russian law to claim compensation May be dependent on land use for subsistence (e.g., dairy farming, crop cultivation, reindeer herding)
Reindeer herders & families	No formal title or rights to the land utilized for spring / summer pasture

The vulnerable families show at least one of the characteristics defined above. In the majority of the cases, families show more than one kind of vulnerability. Women headed households, traditionally considered vulnerable, are not assessed as being vulnerable in Sakhalin. There are 16 families with physically or mentally challenged members. Most of these families fall within one of the above vulnerable categories and will be considered vulnerable.

Table 4-11: Summary of the Project Affected Vulnerable Groups¹⁴

Category	No. of Project Affected Households*	Average Monthly Income per person (R)**	Average Income as % of Subsistence Minimum***
Pensioners	57	4400	100
Low-income families	88	2700	60
Non-registered land users	59	4700	More 100
Reindeer herders	5	1710****	

* In most of cases one affected household can be identified with more than one kind of vulnerability.

** Based on a survey of Project affected landowner and users carried out in October 2004.

*** Based on Department of Statistic Information about Sakhalin Oblast subsistence minimum 4341 roubles per month per person for October 2004.

**** Average monthly income per person for 2003. The subsistence minimum 2003 was 3796 roubles.

4.5.1 Pensioners

This group of affected land users includes persons over 55 years old for women and over 60 years for men. Fifteen households affected by the Project land acquisition have only pensioners (23 individuals: 8 men and 15 females) as family members or pension as the sole source of income while 18 households (40 individuals) have pensioners residing in the families.

Pensioners tend to be more vulnerable to Project impacts than young families. In most Sakhalin districts, young families have greater mobility and in the majority of cases have tended to move closer to work opportunities. In addition, young families are less likely to be involved in crop cultivation but where they are, they are more likely to be actively seeking to leave rural communities and move to towns.

Households dependent on pensions do not enjoy the same kind of mobility. They tend to be poorer than other average families.

The average income of these families is 4400 roubles. Some have pension incomes as low as 2600 roubles. The main sources of income for the pensioner's families are retirement pensions (100 % cases), wages (50% cases) and revenues from crops grown on land plots (16%). In some cases where the family's members work, these families have income greater than subsistence minimum; it is about 7700 roubles per person (32 cases).

4.5.2 Low-Income Households

Surveys of Project affected landowners and users potentially eligible for supplemental assistance indicate that 88 of the Project-affected households could be categorized as 'low income'. These households have been categorised as low income based on certain parameters. In accordance with Federal Law "About a living cost in the Russian Federation" № 134-FZ a low-income family is a family where the average income for one family's member is below average living costs for the Russian Federation.

Living cost is calculated on the basis of the estimated cost of a consumer's basket together with other obligatory payments. The consumer's basket is the minimal set of

14 Income profile of all households is provided in Table 4-05.

foodstuffs, non-food goods and the services necessary for a person to be healthy and maintain a basic standard of life. The cost of the consumer's basket is calculated on the basis of average costs for the Russian Federation.

Most of the Project affected 'low-income' households live in rural communities which have a higher than average rate of unemployment and low levels of economic activity. These households are often dependent on their garden plots for income and subsistence.

The average income of these families is 2700 roubles. Most of these families are single parent family households with children and pensioners. The main sources of income for the low-income's families are retirement, pensions, wages, social allowances, revenues from crops grown on land plots and gathering.

4.5.3 Non-Registered Land Users

In accordance with Russian legislation, land rights have to be registered with the relevant state bodies in order for the owner, lessee or third party user to be eligible to receive compensation.

59 of Project affected households are not legally registered. A number of factors contribute to these circumstances including the following:

- Lack of financial resources to register land rights (the registration process is both expensive and time-consuming);
- Lack of legal grounds for registration of land rights; and
- Lack of interest or other imperatives to register (prior to the Project).

According to Russian legislation, non-registered land users have no rights to compensation for withdrawal of the lands that they use on a day-to-day basis and upon which they may depend for subsistence or additional household income. Loss of these lands may be critical to their livelihood security.

4.5.4 Indigenous Peoples

The Project crosses 5 districts (Okha, Nogliki, Tymovsk, Poronaisk and Smirnykh) of the 6 districts on northern Sakhalin Island where most of the indigenous people live and practice traditional activities like reindeer herding, fishing, gathering and hunting. Indigenous communities include Nivkhi, Uilta (Oroki and Orochony) and Evenki. Of these the Project directly impacts some of the pasture lands of 5 reindeer herder families in Nogliki district.

4.5.4.1 Reindeer Herders

Reindeer herders live in the forest in winter and on the shores of the eastern bays in summer. The 18 Project affected Uilta herders (5 households – 57 individuals) do not have any formal rights to the land that they use for spring and summer pastures, therefore they have no legal entitlement to compensation, under Russian Law. Affected families include 32 men and 25 females. The average age of affected individuals is 30 years.

Age distribution of herders families is shown below.

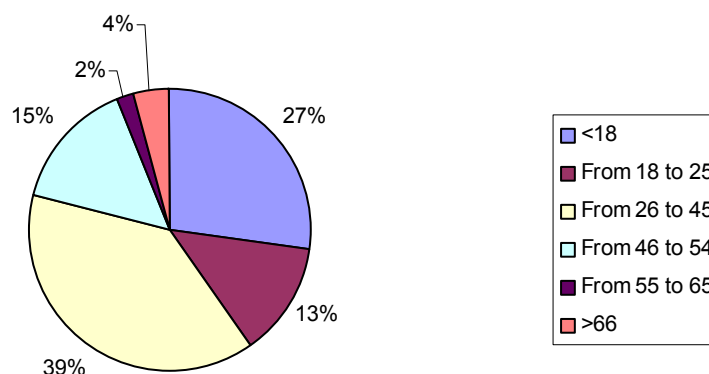


Figure 4-07: Age Characteristics of Herders in %

There are 9 unemployed individuals of working age in these affected families. Six out of them are women who are involved in domestic activities. 6 individuals are pensioners in the affected families and most of them are females. A total of 18 individuals are involved in reindeer herding.

Individuals of herder's families are distributed by education as follows:

Table 4-12: Education Characteristics

Education level	Number of individuals
Elementary level of education	5
Secondary-level education	15
Incomplete secondary-level education	15
Professional education	4
High-level education	1
Trained at institute	1
Trained at school	9

Furthermore, over the last 15 years, reindeer herding has become a marginal economic activity as a consequence of which Uilta herder households can also be categorized as low-income now. The average monthly income per person is about 1710 roubles (2003). The main sources of income are salary, the income from reindeer herding, gathering and fishing, pension and social assistance.

Issues facing Indigenous People, including reindeer herders and measures to address them are discussed in the SIMDP.

5 IMPACTS DUE TO LAND ACQUISITION AND RESETTLEMENT

This chapter summarises the potential socio-economic impacts on the people and enterprises that the Project components may sustain. The type and degree of impact is discussed here and forms the base for the discussions on the resettlement and rehabilitation of the impacts that follow.

As preparation for Project activities started some years ago, the background of the impacts sustained, along with their compensation and mitigation is included to give a clear picture of the scale of impacts and an idea of the status of resettlement activities, in the context of the impacts.

5.1 TYPE OF IMPACTS

The types of Project impacts are discussed under the following three categories:

- Impacts from loss of shelter/land/assets requiring resettlement,
- Impacts from loss of land/assets leading to impact on income, livelihood and socio-economic status. These impacts include pipeline related impacts, impacts on fish enterprises and fish resources, socio-economic impacts on fishing enterprises and ancillary industries and impacts on the Prigorodnoye dacha communities; and
- Impacts on common resources such as pastures, fishing grounds and hunting and gathering areas, which may also affect some families dependent on that resource for livelihood.

Each of the Project affected groups have been faced with one or more of these impacts.

A tabular summary of land related impacts by various land users/owners is set out in Table 4-01.

5.1.1 Impacts on Shelter/Land/Assets Requiring Resettlement

Impacts resulting from permanent relocation are primarily associated with the LNG plant and Oil Export Terminal (though there is one additional displacement resulting from the pipeline SPZ). Land requirements for the LNG Plant/ OET involve physical and economic displacement of the following groups:

- Seven families with houses, dachas or small farms; and
- Three commercial fishing enterprises – one with shore facilities impacted, and all three by alienation of all or parts of fishing grounds (discussions specific to impacts on commercial fisheries are taken up in a later sub-section).

Seven households that occupy (or occupied) land required for the LNG plant and Oil Export Terminal were to be resettled. Of these, five households (3 permanent house owners and 2 dacha users) were compensated and relocated in March 2003. A sixth absentee landowner was also compensated at this time.

A seventh household that has land outside of the actual LNG plant site area, but within the construction phase Sanitary Protection Zone, is yet to be relocated.

The early resettlement of these households was required in order that site preparation for the LNG plant/Oil Export Terminal could be commenced to meet Project construction schedules. Resettlement was conducted in accordance with OD 4.30

principles. There has been subsequent ongoing, regular consultation and monitoring of the affected households.¹⁵

Compensation arrangements for the three commercial fishing enterprises that have land based facilities and/or licensed fishing areas that will be lost as a result of the LNG plant/Oil Export Terminal construction are described in Section 6.6.3.

5.1.1.1 Background and Status of Affected Households

As part of resettlement planning, a socio-economic survey of the Project affected households on the LNG plant/Oil Export Terminal site was conducted in Autumn 2000.

The former village of Prigorodnoye was relocated from Aniva Bay (where the LNG plant/Oil Export Terminal is sited) in the 1970s-80s. Most of the residents moved to the nearby district centre, Korsakov.

The seven Project affected households either did not move at this time, or subsequently returned because they could not afford to live in Korsakov. The latter were mostly elderly residents. Some lived at Prigorodnoye full time during the spring and summer 'dacha' season (categorized as 'permanent' residence in Russia), although they lived elsewhere in the winter.

At the time that the land acquisition process was initiated, two households were still engaged in farming and others were tending their garden plots (dachas).

Two of the affected families were registered land users. The others (mostly elderly residents) were not registered.

Table 5-01: Status of Households Resettled from LNG Site

Household	Permanent	Seasonal	Registered	Unregistered
A	X		X	
B	X			X
C	X			X
D		X		X
E		X		X
F	Not resident since 1997		X	
Total	3	2	2	4

The registered land users on the LNG/Oil Export Terminal site were entitled to compensation under Russian law. Those who were not registered had no legal rights to the lands that they were occupying and therefore no right to compensation under Russian Federation law.

SEIC sought and received from the Korsakov District Administration Special Commission an act recognising the unregistered families as land users in Prigorodnoye, thus entitling them to receive compensation.¹⁶

All the households were compensated according to OD 4.30 provisions and were provided with appropriate assistance under the Supplemental Assistance Programme.

¹⁵ Please refer to Section 5.1.1.2 for more details.

¹⁶ Reference to Section 6 on compensation and mitigation.

The types of compensation and assistance under Russian legislation and the Supplemental Assistance Programme provided to these households are summarised in Table 5-02 below.

Table 5-02 Summary of Compensation for Households (Registered and Unregistered) Affected By LNG Plant/Oil Export Terminal

Type of Loss	Compensation under RL and SA	Other Assistance under SA
Loss of house / dacha	Replacement house / dacha	<ul style="list-style-type: none"> - Assistance to formalize eligibility for Supplemental Assistance for 4 unregistered users - Provision of transport during moves - Cash allowance to cover removal costs
Loss of garden plot	Replacement garden plot	<ul style="list-style-type: none"> - Payment by SEIC of administrative costs associated with the land transfer & registration
Loss of pasture & hayfields	Replacement land plots	<ul style="list-style-type: none"> - Supplemental assistance to one household experiencing difficulty in accessing hayfields (in process) - Payment by SEIC of administrative & transaction costs associated with the land transfer & registration
Loss of other buildings, structures, assets (wells, fences, animal sheds, yards, etc)	Equivalent replacement at the new house/land plot	<ul style="list-style-type: none"> - Replacement cow shed was constructed by the Project for one resettler household on their new land
Loss of crops	Monetary compensation for in-ground crops at time of compensation assessment	N/A
Loss of animals/cattle	Monetary compensation	<ul style="list-style-type: none"> - Monetary compensation has been in addition to the relocation of cattle, poultry and other livestock (this has been successfully completed where necessary).

Further details on compensation procedures for non-registered land users are set out in Tables 6-02 and 6-06.

5.1.1.2 Key Findings

Regular monitoring interviews are held with each of the households resettled from the LNG plant site. Some key findings to date are summarized below.

- All of the affected households are utilizing the replacement land and housing acquired for them by SEIC.
- All families have now registered their rights to their replacement land and housing. Three out of the four families interviewed expressed their satisfaction with the move for various reasons including closer proximity to families, less isolated location, and improved size or quality of replacement land and housing.
- The two families who received new dachas were also very satisfied with them. None of the families had any complaints about the sewerage, water supply, heating or electricity at their new properties.
- One family has not as yet been able to fully restore their livelihood. The main reason was the lack of hayfields and pastures close to their new house. Assumptions that the family had made concerning their ability to use local grazing areas, as part of a cooperative, did not work out. The family has decided to move

its activity to another nearby village, where there is accessible pasture and where the family can grow hay needed to feed their animals during the winter. SEIC will provide Supplemental Assistance to cover costs of their move. SEIC is working closely with the family and will monitor the need for any additional assistance.

5.1.2 Impacts on Assets, Income, Livelihood and Socio-Economic Status

5.1.2.1 Pipeline Related Impacts

The construction of temporary and permanent facilities related to the oil and gas pipeline affects privately owned (or privately used) land in 10 districts of Sakhalin Oblast. The types of land affected by pipeline construction and operation are summarized in Table 5-03.¹⁷

117 registered and non-registered individual landowners or users will be affected by temporary loss of land for the pipeline. One additional household will be affected by the pipeline SPZ.

Table 5-03: Summary of Impacts Resulting from the Pipeline Construction and Operation

Project Land Requirement	Extent of Loss	Duration	Types of Loss
Temporary use of land for pipeline construction and temporary construction facilities	Land in the 43-66 m wide construction ROW Land for construction camps & pipe lay-down yards Temporary access roads	3 year construction period for the pipeline ROW Periods ranging from a few months to more than 3-years for temporary construction facilities & access roads	Temporary loss of use of kitchen gardens Temporary loss of use of potato fields & hayfields (& related income) Damage or disruption of services Severance impacts
Permanent acquisition of land for block valves, & permanent access roads; possible need to permanently acquire some & easement over the pipeline	Block valve sites Permanent access roads Pipeline easement (yet to be determined)	40 year operation period of the pipeline	Permanent loss of productive agricultural land Severance impacts
'Restrictions of use' due to Sanitary Protection Zones and Safety Exclusion Zones (SPZ)	Within designated Sanitary Protection Zones & Safety Exclusion Zones around pipeline, construction facilities & block valves	40 year operation period of the pipeline for pipeline & block valves Construction period for temporary construction facilities	Physical relocation of houses (1 case) from within SPZ Loss of use of SPZ for trees, orchards & shrub planting Reduced potential use of SPZ for structures, warehouses & the like

¹⁷ The number of households affected by temporary and/or permanent loss of land, or restrictions of use as a result of the pipeline are also summarized in Table 4-01. Land requirements for the pipeline and related facilities are summarised in Table 1-02. Socio-economic characteristics of affected landowners and users are described more fully in Section 4.

Project Land Requirement	Extent of Loss	Duration	Types of Loss

As mentioned at Section 2.8.1 any opportunity cost of restrictions on land use will be included in compensation valuation under the Decree of the Government of the Russian Federation (No 77 and 262). In addition, SEIC will closely monitor this issue once the land take option for operations has been decided. In case of significant negative impacts on land value, SEIC will consider buying the entire land plot or provide additional compensation for loss of value. This will be decided after discussion and negotiation with landowners.

In addition to these impacts, a further sub-section includes impacts on resources/access to resources that are used by the community for recreation purposes.

5.1.3 Impact On Commercial Fisheries

The construction and operation of LNG/Oil Export Terminal in Prigorodnoye may affect three fishing privately operated commercial fishing enterprises. One enterprise (Lenbok) lost land used for a fishermen's camp on shore and all of its Prigorodnoye Bay fishing grounds. This camp was one of the operations that provided fish for the company's processing factory located in Korsakov. The fish camp involved about 8 seasonal workers. The two other companies, Calypso and Contract, may potentially face some impacts due to Project activities in 3% and 28% of their agreed licensed fishing areas respectively.

SEIC is presently reviewing the grounds for and feasibility of the compensation package for potential loss as a result of Project impact to be provided to these two companies (Contract and Calypso) based on the principle that the companies involved should be in an equal position after the Project. The exact nature and extent of the compensation package is being jointly discussed with the companies involved and the relevant Sakhalin Authorities (Sakhydrobod). With respect to this it should be noted that only relatively small sections of the licensed areas of both Contract and Calypso overlap with exclusion zones around the OET pipeline and the LNG jetty.

A map illustrating the overlap between water areas of the LNG/Oil Export Terminal construction and commercial fishing is set out at Figure 4-04.

5.1.3.1 Impacts on Fish Resources

The main geographical areas for fishing¹⁸ are:

- The north-east coast of Sakhalin in the vicinity of the PA-B and LUN-A platforms and the associated pipelines and landfalls; and
- Aniva Bay in the vicinity of the proposed LNG jetty, OET subsea pipeline and connected TLU.

An investigation of commercial fishing activities¹⁹ carried out in 2003 concluded that fishing intensity in both the Piltun and Lunskeye areas is low²⁰. The investigation considered the low level of fishing activity to be a result of low stock densities for

18 See note on Commercial fishery in Annex A for a more detailed description.

19 Study executed by the GU Regional Centre for Coastal Fishing and Fish Finding (2003)

20 For details see Annex A – Note on Commercial fishery

commercial species (e.g. saffron and cod) and the absence of any significant infrastructure such as ports and harbours to support commercial fishing.

Other commercial fisheries within the vicinity of the proposed pipeline route are small-scale and the fishing companies operating in the area include Vostok fish works, Vostok-Nogliki Company Ltd and Ostrov Company Ltd. Exact landing tonnages for these enterprises are unknown. The planned pipeline route from the platforms to landfall in Piltun Bay does not intersect with any locations presently used to set fixed nets for salmon.

The physical presence of exclusion zones associated with the construction of the TLU, OET pipeline, LNG Jetty and Material Offloading Facility (MOF) in Aniva Bay, which are in place to manage safety and navigational risks, will result in a restriction of access by fishing (and other) vessels within the vicinity of these offshore facilities²¹.

The implications of the exclusion zones during both construction and operation for commercial fisheries interests in the Aniva Bay area have been assessed and calculated using data collected from trawl and sampling surveys, as set out in EIAA Section 7 (Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin 2003). The calculated values suggest that, apart from the far eastern scallop, the effect of the exclusion zones will be limited to the construction period and even then the annual loss of sea-urchin and *Laminaria* harvest would be relatively small when compared with quotas for the entire Aniva Bay area.

Potentially, during the construction period it is likely that harvest effort would be directed elsewhere in the Bay in order to compensate for the loss of available resource due to exclusion. This may place some additional pressure on resources of these species in the immediate area. However, given the relatively low volume of catch involved it is considered that this additional pressure would not constitute an adverse effect on existing resources within the rest of the Bay.

As stated previously, the salmon fishery in Aniva Bay is of key commercial importance. The effect of the exclusion zones on this fishery is therefore of potential significance. Data from the study (Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin 2003) shows that the salmon fishery in Aniva Bay supports a relatively high number of fishing companies (32 in 2002 and 54 in 2001) and established quotas are regularly exceeded (e.g. in 2001 the quota was 23,440t and 33,963t were produced).

The proposed exclusion zones would impact directly on one fixed salmon net along the planned offshore pipeline route at Prigorodnoye (fixed net № 345A, owned by the Lenbok Company).

With respect to non-salmonid fish resources, calculations suggest that the overall implications of the exclusion zones would be of limited significance for a number of reasons as briefly highlighted below:

- The commercial fish assemblage recorded for the proposed exclusion area is found throughout much of the Bay;
- Stocks are mobile and therefore there is effectively no loss of resource, but a reduction in available fishing area;
- The figures presented are calculated as a % of quota rather than actual stock;

21 See note in Annex A for a description of the exclusion zones

- During operation (i.e. long-term) estimated losses relative to quotas (assuming no displacement fishing effort occurs) for all of the commercial species, would be less than 0.5%;
- Even assuming that fishing effort may increase in other areas due to activity displacement, it is considered that quota levels could still be achieved without a detrimental impact to resources within the Bay;
- Existing fishing effort within the proposed exclusion zones is unknown and may presently occur at a level at which potential catch would never be achieved (i.e. the calculated figures are worst case); and
- The exclusion zone would effectively act as no-take zone and in this respect could actually provide some benefit in the long-term to local fisheries in the area.

Taking into account the factors highlighted above it is considered that the imposition of the exclusion zone during construction and operation would have a negligible effect upon the existing fish resources of Aniva Bay. Although commercial fishing activity would be prevented within the exclusion zone, the viability of commercial exploitation to achieve quotas would be unlikely to be compromised.

5.1.3.2 Socio-Economic Impacts on Fishing and Ancillary Industries

Due to the low level of impact on fish resources as a result of Project activities, experts see the key source of likely socio-economic impacts to be ecological impacts such as oil spills. Socio-economic consequences may be local or effect the fishing industry in general depending on the level of ecological impact. Socio-economic impacts to effect fishing enterprises include:

- Reduction of loss of business and incomes; and
- Reduction or loss of jobs due to reduction or loss of business.

These kinds of potential impacts may indirectly affect ancillary industries. The level of this influence will depend on the level of socio-economic impact on the fishing industry and the level of economic ties between an ancillary enterprise and the fishing industry. Potential types of indirect impact on ancillary enterprises are the same as listed above.

Experts have also noted the following positive and negative socio-economic impacts on the fish industry:

- Positive impacts due to Sakhalin-II infrastructure upgrade Project implementation;
- During the construction period workers may move from the fish companies to the companies involved in the Sakhalin-I and Sakhalin-II Projects. The key reason is a beneficial salary difference.
- Difficulties in recruiting enough temporary personnel for the fish season.

The Company aims to avoid or minimize any socio-economic impacts both on the fishing industry and on ancillary industries through the implementation of environmental mitigation measures as discussed in HSESAP, EIA and EIA Addendum (e.g. river crossings, oil spill response measures, etc.). Where there are impacts, compensation measures will be implemented in accordance with the procedures set out in the RAP.

In addition the Company will aim:

- To contribute to sustainable development of fishing and ancillary industries;
- To contribute to sustainable development of non fishing related activity (e.g. tourism), to maximise jobs and business opportunities in local communities;

- To develop and maintain good relations with fishermen and any other relevant stakeholders (see Section 8).

5.1.4 Impact on Prigorodnoye Dacha Community

In 2002 the Ministry of Health formally approved the Sanitary Protection Zone (SPZ) for Prigorodnoye LNG/OET facilities with a radius of 1 km, based on dispersion calculations for air pollution (mainly the nitrogen oxide emissions of tugboats and LNG plant gas turbines). During TEOC approval in 2003, and in response to feedback from the Ministry of Natural Resources (MNR), a 3.5km zone was mentioned in the TEOC. The Ministry of Health did not approve this larger zone and questioned the requirement.

SEIC agreed on a 1km zone, with an air quality monitoring plan to demonstrate its validity. The Sakhalin Sanitary Committee has recently reconfirmed the validity of the 1km SPZ.

The 1km zone means that the Company avoids the necessity of closing the remainder of the Prigorodnoye Beach to the public and the relocation of approximately 100 dachas that lie in close proximity to the edge of the SPZ. These are mostly seasonally occupied (summer) residences. The dacha residents belong to the dacha communities 'Stroitel' and 'Teplovik' (see Table 5-04 below).

Table 5-04: Prigorodnoye Dacha Communities

Dacha Community	Estimated No. Dachas	Location
Stroitel	80*	On the hillside just over 1 km west of the LNG/OET site at the nearest point. From the Korsakov-Prigorodnoye road up to dacha community around 200m, on a height around 20m.
Teplovik	20*	In the Mereya river valley, 3.5 km west of the site. From the Korsakov-Prigorodnoye road up to dacha community around 100m, in a creek valley 80m.

* Not all dacha plots are in use

More information on the profile of dacha communities is set out at Section 4.

SEIC managers, the SPT experts and the Korsakov CLO have met with these communities on a number of occasions since 2004. The Company has initiated and is committed to continuing a regular dialogue with the dacha owners and users to seek to understand any issues and concerns they may have regarding the proximity of the Project activity to their communities, and to discuss appropriate mitigation measures (please also see Section 8.4).

Meetings were held between EA Representatives and dacha owners in September 2005 at which compensation proposals were put forward. Further discussions will take place in November. The Company is committed to finalising this compensation package with dacha owners. Full details of the proposed compensation package and the status of consultations are set out at Section 6.3.2.

5.1.4.1 Possible Impacts on the Dacha Communities

There will be no physical resettlement (other than that already carried out) due to Project activities under the requirements of Russian legislation or OD 4.30. Regular environmental monitoring in the area on parameters like noise and air pollution indicate that these are within Russian Federation norms and would not have serious

health impacts. However the dachas community feels that it could be adversely affected both in the long and short term in the construction and operation phase that may include²²:

- Loss of value of land and assets due to proximity to the SPZ of the LNG plant
- Impacts on access to amenities
- Reduction in quality of life
- Adverse impacts on resources such as vegetable gardens, crops and trees (for example due to dust, see below) which are used for subsistence.

SEIC is undertaking a programme of monitoring of air and noise emissions. From 2006 generic Quality of Life indicators will measure access to transport, agricultural productivity, livelihood status and community participation. Further Quality of Life indicators may be considered as SEIC endeavours to refine these Quality of Life indicators in consultation with the affected community.

Significant impacts will be evaluated through monitoring the performance of Quality of Life indicators over a period of time. Where quality of life is perceived to be negatively impacted, SEIC will develop a timely and targeted response, including compensation where appropriate, through a participatory process with the impacted community.

5.1.4.2 Other Concerns Raised by Dacha Communities

The other main concerns of dacha community residents relate to:

- Dust from the main Korsakov-Prigorodnoye Road that passes by both dacha communities (particularly impacts on vegetable crops and open water supply pits);
- Road safety due to increased traffic on the same road;
- Potential deterioration of road conditions around Prigorodnoye due to intense usage by Project traffic;
- Individual issues such as Contractor waste dumping (see below) and Contractor workers renting dachas in Stroitel dacha community (see SIAA Section 4.4);
- Potential theft and disruption due to influx of construction workers;
- General environmental, health and safety concerns related to construction work and future operations of the plan and;
- Communication and information dissemination (including lack of information about health and safety issues, and insecurity about the decision whether or not resettlement will take place).

Since June 2005 both official bodies and dacha communities have been informed of the Company's decision on a 1 km SPZ.

5.1.5 Impacts on Common Resources

5.1.5.1 Impacts on Spring and Summer Pastures Used by Reindeer Herders²³

Project impacts on spring and summer pastures used by the reindeer herders are summarized in Table 5-05 that follows:

22 These concerns were raised during consultations with dacha users and owners in the Stroitel community.

23 For a more detailed discussion of the issues and concerns raised by the Uilta and Evenk reindeer herders, reference should be made to the Project Social Impact Assessment, Chapter 14 and SIMDP

Table 5-05: Project Impacts on Spring and Summer Reindeer Pastures

Type of Pasture	Number of Hectares				%
	Total Area	Pipeline ROW (Temporary)	Access Roads* (Permanent)	Piltun Landfall (Permanent)	
Burnt Pasture	15,000	31.7	26.7	0.0	0.39
Spring Pasture	7,500	4.9	0.9	0.0	0.08
Summer Pasture	17,500	19.3	12.0	6.6	0.22
TOTAL	40,000	55.9	39.6	6.6	0.26

* Includes footprint of existing road, so actual pasture lost to the Project is lower than indicated in the table.

The Val herders will lose use of 5.8 ha (about 0.08%) out of the 7,500 ha they use for spring pastures and calving, and 96.3 ha (about 0.3%) of the 32,500 ha used for summer pastures²⁴. The actual useable area of summer pasture has diminished in the short to medium term as a result of damage by fires in 1989 and again in 1998. So far as possible, the pipeline has been routed through the burnt pasture to minimize impacts on remaining productive pasture areas. This can be seen from the figures in Table 5-05.

During consultations, the Val herders have indicated that their current reindeer stocking rates are well below the carrying capacity of the pasture areas that are available them. The herders have indicated that the pastures could support a five-fold increase in herd numbers over their current levels, which currently stand at about 110-120 heads. The herders note, however, that they may also lose some pasture area to the Sakhalin I Project.

5.1.5.2 Specific Issues - Land Tenure

The herders, and their enterprise *Bayausa* and co-operative *Valetta*, according to RF laws, have no formal rights for the use of their spring and summer pastures, nor legal entitlement to compensation as discussed in Table 3-01.

The pastures belong to the Russian Federal Forest Fund. The area forms part of 1,191,001 hectares of leases officially registered to the *Olenevod* state farming enterprise for reindeer herding in 1986. *Olenevod*'s activities are now confined to reindeer hunting in north-western Sakhalin and *Olenevod* no longer makes any active use of the Project affected pastures around Val.

In 1998 the Sakhalin II Project applied for and was granted Preliminary Land Allocation for the pipeline construction and the Piltun landfall site. This allocation was made by the Nogliki and Okha Districts. According to the Preliminary Land Allocation documentation of 1998, the enterprise '*Aborigin Sakhalina*' (Sakhalin Aboriginal) was to have been compensated for the loss of about 98 ha of reindeer pastures in Okha and Nogliki Districts. Since 1998, *Aborigin Sakhalina* has gone bankrupt.

SEIC made several inquiries to the Nogliki District Administration requesting clarification of the current status of *Aborigin Sakhalina*, and seeking their advice on the appropriate party to receive compensation. This issue has been recently resolved and the compensation paid.²⁵

24 This has been described in SIA, Chapter 8

25 Even as the compensation has been paid after the resolution of the issue, the Project recognizes it has an obligation under OD 4.30 not only to compensate parties with a legal interest in the land, but also to address any

5.1.5.3 Other Potential Impacts

During consultations held with the herders in 2002-2004²⁶, they raised a number of other concerns about potential impacts on their activities that may result from the Project. These included the following:

- Impact on herd behaviour and herd movements resulting from increased traffic generated during construction and operations;
- Physical impediments to herd movements resulting from pipeline trenches, and linear features such as new access roads and security fencing - potential to affect seasonal migration routes, and also access to water resources used for watering herds and subsistence fishing;
- Risk of injury or death of reindeer where animals are inadvertently disturbed and fall into the pipeline trench;
- Impacts on calving;
- Potential for increased risk to herds from poaching as a result of new and improved access roads;
- Potential for increased risk to pastures from fire (from access roads);
- Concern about the Project's ability to effectively restore pastures, especially in boggy and poorly drained areas; and
- Long-term cumulative losses of pasture resulting not just from Sakhalin II, but other pipeline and infrastructure projects.

5.1.5.4 Impacts on Forests and Fisheries Used for Recreation and Subsistence

The RAP addresses direct impacts on local resources and livelihood activities such as may result from clearing of forest, berry fields or alienation of fishing area, or through impediment of access to such areas. It does not address indirect impacts such as may result from long-term degradation of resources through pollution, or potential risks arising from spills or accidents²⁷.

The majority of Project works areas are in remote locations that are not readily accessible to communities for recreational or subsistence use. Elsewhere, the Project has sought to utilize existing brownfield sites or infrastructure corridors that have limited value for fishing, hunting or gathering.

Based on extensive consultations, the Project SIA has, however, identified a number of areas where Project construction activities could potentially impact berry grounds, hunting areas and rivers used for fishing used by communities including indigenous groups. These include potential pipeline impacts on the following:

- Areas used for hunting and fishing near the Piltun landfall, particularly in the south of Astokh Bay on the Panitu Lakes, and north of Chaivo Bay;
- Berry picking grounds close to Val;

losses experienced by informal users such as the Val Uilta/Evenk herders. Project supplemental assistance measures are described in Sections 6 and 9 on Monitoring – reflect this commitment.

26 These are described in SIA Chapter 6 and 14 and Appendix E and consultations conducted in 2003-2004, including workshops with them, which are summarised in SIMDP

27 These matters are addressed in the EIA (2003) and EIA addenda

- Pipeline crossings of the Rivers Val, Askasay and Evay (used for subsistence fishing);
- Pipeline crossings of Malye Veni and Bolshie Veni Rivers (used for subsistence fishing and hunting nearby);
- Berry grounds around Venskoye (Veni);
- Pipeline crossing of the Tym River used for fishing; and
- Berry grounds near Nogliki.

Pipeline impacts will be relatively minor in that they will be localized and affect only a very small part of overall berry, nut, forest and fishery resources available to adjacent communities. With adequate attention to restoration, impacts should be relatively short in duration²⁸.

5.1.5.5 Impact on Hunting

The Project affects hunting areas of 6 hunting users, from which:

- 2 are family game husbandries of small-numbered ethnic groups of the North (their lands are in the north part of the island);
- 1 is for amateur hunters (the lands are located all over the island).
- 3 are for professional hunters.

Experts²⁹ say that Project influence on commercial hunting is not significant:

- Firstly, the pipeline and Project facilities are located in areas where hunting is inefficient. This is due to the following:
- For construction purposes under the Project, only those territories were selected where anthropogenic effect was significant long before the start up of the Project,
- The greatest part of the pipeline is very close to the Trans-Sakhalin highway, railway and lands used for agricultural purposes;
- In the affected areas, valuable fur species (sable, otter, mink, and ermine) are in small numbers;
- In the northern part of the island (Noglikiy District), the pipeline runs through hunting areas affected by fires of 1989 and 1998. Due to this, no hunting is executed in these areas;
- Secondly, small hunting animals (squirrel, hare, mink, raccoon dog, fox, etc.) are actually not affected by construction activity since after the construction is over these animal species tend to return to their former habitats; and
- Thirdly, in the last decade commercial hunting is less active because of its cost inefficiency.

Experts note that some minor impact of the Project is mainly associated with construction of access roads and camps for builders.

- In the first instance, construction of access roads opens additional routes to areas that were earlier difficult to access, and

²⁸ Measures to minimize or address any losses are described in Section 6.

²⁹ Department on Protection, Control, and Regulation of Utilizing Hunting Animals in Sakhalin Oblast, and hunters themselves.

- In the second instance, smell of food waste at construction camps can attract small animals (fox, raccoon dog) and bears.

5.1.5.6 Impacts relating to Prigorodnoye Beach

Construction of the LNG/Oil Export Terminal facility requires the withdrawal of part of a popular summer recreation area for local residents.

Prigorodnoye Beach became popular in the early 1990s after other local beaches that had been widely used in the 1970s and 1980s became increasingly polluted with domestic and industrial waste, and because beaches around Aniva Bay became difficult to access after several road bridges collapsed. In addition, the increasing ownership of cars by Korsakov families in the 1990s made it easier to access Prigorodnoye Beach and also contributed to its popularity³⁰.

³⁰ Prigorodnoye Beach was not an officially designated as a 'recreational area'. There is no legal obligation, therefore, for the Project to compensate for its loss as such, other than to make lease payments for the subject land over the life of the Project.

6 ENTITLEMENT FRAMEWORK – COMPENSATION, SUPPLEMENTAL ASSISTANCE AND MITIGATION MEASURES

6.1 INTRODUCTION

This section provides a framework for entitlement for each category of impacts that have been discussed in the previous section. The entitlements cover both compensation under Russian Federation legislation and World Bank OD 4.30 as well as any Supplemental Assistance that each of those categories of Project affected households may be entitled to. A detailed methodology for calculation of and compensation of Supplemental Assistance has been provided in Annex B.

The description of the principles and bases for entitlement is followed by a Project component-wise summary of compensation, assistance and mitigation measures being proposed.

6.2 PRINCIPLES FOR ENTITLEMENT

The Project has developed an entitlement framework for primarily three categories of impacts:

- Loss of shelter/land/assets requiring relocation;
- Loss of land/assets leading to impact on income and livelihood and socio-economic status; and
- Impacts on common resources such as pastures, fishing grounds and hunting and gathering areas, which may impact some families dependent on that resource for livelihood.

The principles and objectives guiding the entitlement framework have been summarised here and include:

- The Project will aim at compensating PAP for both loss of land and assets as well as for any losses (such as loss of income) experienced as a result of socio-economic impacts.
- Compensation will be paid in accordance with the compensation norms set out in the legislation and regulations of the Russian Federation, except in specific cases where the requirements under the World Bank OD 4.30 are more stringent, where additional entitlements shall be provided.
- In case of relocation, the Project will provide alternative dwellings and land as well as access to infrastructure and amenities equal to, and preferably better in quality, to what the households had before.
- Entitlements will be based on the principle of “replacement value”. The replacement value of land or assets is equivalent to the amount required to replace the land and/or asset in its existing condition.
- Both owners and users with legal rights as well as those without legal rights will be considered eligible, except in cases where the use is unlawful or prohibited according to Russian laws.
- Vulnerable and disadvantaged groups would be provided with special attention and focus. Vulnerability has been specifically defined for the Project.
- The Project will have a two-pronged approach to address vulnerable groups. The RAP will focus on the vulnerable families identified from among those that have been directly impacted by the Project through loss of land/assets or livelihood. The

Social Investment Programme will, in parallel, address the issues concerning vulnerable groups on Sakhalin island.

- Compensation and mitigation measures would be developed through ongoing consultations with the Project affected community.
- PAP who subsequently establish rights to compensation under the principles of the RAP will be able to access a dedicated claims process (the Resettlement and Compensation Claims Process).
- PAP will be also be able to access the Grievance Procedure for both compensation related to resettlement and rehabilitation related issues if a claimant is not satisfied with the response or the outcome of the Resettlement and Compensation Claims Process (see section 8.6).
- Compensation will be paid in accordance with the agreed terms of each compensation agreement, but SEIC will be negotiating payment of compensation prior to any civil work.

In cases where the Project-affected households are not eligible for compensation under the Russian Federation Law (traditional land users, unregistered users or third party users like tenants), the following principles will define eligibility for compensation from Supplemental Assistance:

- The household should have either used the impacted land for livelihood purposes or lived on that land for a period of at least 1 year prior to the cut-off date.
- Impacts, which could either result in relocation of the family or loss of more than 25% of their total land holding (even if it is for the duration of the construction period) would be considered a serious impact and such families would be treated as vulnerable families.
- In case of traditional livelihood dependence, at least one member of the family should be earning livelihood from that activity in the Project area (herding, hunting etc) continuously to be considered a PAF. This would be verified by the CLOs through community consultations/verification.
- Some community level impacts (directly related to Project land take) would also be considered under the Supplemental Assistance Programme.

For workers employed in different enterprises that need to shut down because of the Project, the following eligibility criteria would be used:

- In case of seasonal and temporary workers, the Project will ensure that they are re-employed by the enterprise in some other works. In case this is not feasible, then the Project will provide three months salary as a Transition Allowance to the workers for one seasons loss of income from the Supplemental Assistance Fund. This would be done only after verification by the enterprise owners that the workers have been employed in their companies for at least 2 seasons.
- For permanent workers, the Project will ensure that they are either re-employed in a job in the same enterprise or elsewhere. If that is not feasible, then the Project will provide six months of salary as Transition Allowance, after verification of the permanency of the job from the owner.

For commercial fisheries, the following criteria would be used for assessing compensation, with the overall objective of ensuring that the enterprises are not worse off than before the Project. The principles include:

- Compensation for lost income, based on value of catch which is established;³¹
- The removal and relocation of equipment; and
- Assistance in and compensation for application for a new fishing licence issued by the relevant state agencies.

SEIC is also committed to addressing socio-economic impacts on those industries with economic ties with the fishing industry and developing appropriate mitigation measures.

Traditional users of common resources like berry and mushroom collectors will have alternative sites where they can access these resources, and hence will not suffer direct impact on income and livelihood. Access to these alternative sites will be a critical factor. Families facing problems in access to similar resources will be provided with transport to alternate sites by the Project. Such families can approach their local CLO to register their grievance.

Details of Special Assistance to be provided to reindeer herders are set out in Tables 6-02 and 6-06.

A SIMDP, which is being developed simultaneously, will specially focus on indigenous communities and will also address their community level impacts, should there be any.

Where dacha owners and users falling outside the LNG/OET terminal Sanitary Protection Zone establish a financial loss to assets or property as a result economic displacement due to Project activities, the Company will compensate for this loss. Loss in value will include loss in value due to proximity to Project activities. This will be assessed through comparing the standard of properties with properties in other dacha communities in Korsakov. Impacts will also be measured against Quality of Life indicators agreed between SEIC and the dacha communities. Further details are set out at Section 6.3.3.

6.2.1 Future Land Requirement

As indicated in Sections 2 and 3, additional land will be required for various purposes, including pipeline re-routing. In all such cases where private land is involved, the land would be acquired through negotiations with the owners, following the *principles and processes defined in the RAP* and this would be verified at regular intervals by internal monitoring as well as 3rd party audits.

6.2.2 Cut-off Date

The cut-off date for the Project would be the date of completion of the socio-economic survey to identify Project affected groups. People/groups claiming compensation after the cut-off date will not be considered eligible.

6.3 ELIGIBILITY FOR COMPENSATION

6.3.1 General

Those entities eligible for compensation under this RAP on the Sakhalin II Project are shown in Table 6-01 below.

31 The enterprises have been keeping record of the value of their catch (broken down into types of fish) over the last few years. These figures will then be cross-checked with market information from other enterprises and any other available government data.

Table 6-01: Entities Eligible for Project Compensation

Recipient	Examples
Federal, regional and municipal departments/institutions	Forestry, agriculture departments, committees
Legally registered entities	Private enterprises, state-owned enterprises, dacha co-operatives, collective farms
Individuals	Kitchen garden owners, dacha owners, farmers registered as sole proprietors, informal land users

The eligibility of different types of landowners and users to receive compensation are summarised in Table 6-02.

Table 6-02: Eligibility to Receive Compensation

Type of Landowner/User	Description	Examples	Compensation Basis
Registered land use(r)	Any individual/household or entity that is a legally recognised land-user under Russian regulations (RR).	Collective farms, dachas, privatised land, leased land.	Compensate for land and income from land in accordance with Russian regulations. 'Top-up' compensation from the Supplemental Assistance Fund where required to meet WB OD 4.30.
Entitled registered land use(r)	A registered land-user who is entitled to compensation under RR.	Farms, businesses, land for pastures, agricultural lands, crops.	Compensate for land and income from land in accordance with Russian regulations. 'Top-up' compensation from the Supplemental Assistance Programme where required to meet OD 4.30.
Un-entitled registered land-user	Registered land-user not entitled to RR compensation.	Individuals holding hunting/fishing licences (e.g., short and long-term licences held by Indigenous People).	Compensation from the Supplemental Assistance Fund in cases where there is verifiable adverse impact and in accordance to principles outlined in Section 6.2
Unregistered land use(r)		Any individuals using land in such a manner which as it is in conflict with or does not conform to Russian law	
Land use which has fallen out of compliance	A use of the land, which due to non-payment of taxes, etc. is no longer considered an entitled land use.	Property taxes are not paid due to delays in receipt of pension/registration of land use after death of registered user.	As such families may not have paid taxes because of poor economic circumstances, the Project will provide compensation from the Supplemental Assistance, OR give the land user the option of an alternate piece of land of equivalent quality for which the Project

Type of Landowner/User	Description	Examples	Compensation Basis
			will pay all taxes and registration costs and provide all other assistance to help in the registration process.
Non-conforming land use	Use of land, which is recognised, but due to regulatory or other changes is not in compliance with current laws and regulations.	Farmers from collective farms that have been dissolved, but due process has not yet given them legal rights to land.	Compensate in accordance with Russian regulations. 'Top-up' compensation from the Supplemental Assistance Fund where required under WB OD 4.30.
Prohibited land use	Use of land, which is specifically prohibited under Russian law.	Illegal dumping, logging without permits.	No compensation or assistance
Traditional land use	Use of land based on informal (traditional, ancestral) but recognised rights within communities but not addressed under RR. Often applied to land historically used by Indigenous Peoples but which could also apply to long-term recognised historical use by other entities.	Areas historically used by indigenous peoples for hunting, fishing, reindeer-herding regardless of the existence of a registered land use.	Supplemental Assistance Fund in cases where there is verifiable adverse impact and in accordance with principles outlined in Section 6.2. Develop or support some sustainable development IP related initiatives through consultations with such stakeholders as discussed in Section 4 of SIMDP.
		Berry and mushroom gathering areas. Other traditional gathering areas.	Provide assistance (such as with transport) to Project affected groups to enable them to access alternative equivalent resources till the time access to the affected land is completely restored. Such households should approach the CLO to register their need and the CLO will, after ascertaining the veracity of the impacts claimed (through community consultations), ensure that the need is addressed. Develop or support some sustainable development initiatives through consultations with such stakeholders. One such example could be enhancing such resources in their natural areas to benefit its users.

Note: A detailed methods of calculation of compensation and supplemental assistance has been provided in Annex B

In addition there could be third party users, whose entitlements are summarized below.

Table 6-03: Compensation for Third Party Users

Type of Occupancy	Description	Examples	Compensation Basis
Tenants	Individuals affected by the Project using land with the permission and knowledge of the registered land-user with or without a formal agreement	Families living on the LNG site with the knowledge of the registered land-user.	SEIC to negotiate a triangular agreement on distribution of crop compensation between the registered user on the basis of the formal/informal agreement between

Type of Occupancy	Description	Examples	Compensation Basis
			the registered user and tenant. The tenants will get compensated for any crop that they have sown in that land before the cut-off date.
Employees of enterprises	Individuals who are permanent employees of agricultural enterprises or farms and are proven to be affected by the Project.	Employees of agricultural enterprises or farms which need to be shut down because of the Project activities.	<p>Compensation to be paid to the enterprise or farm, with responsibility for the employees in accordance with Russian Federation legislation.</p> <p>The employer should continue employing the permanent workers.</p> <p>The Project will pay up to 6 months wages to these workers as Transition Allowance, depending on specific circumstances.</p>
	Seasonal and temporary workers	Seasonal workers in Commercial Fisheries.	<p>Compensation to be paid to the enterprise. The employer should continue employing these workers in other work. In case this is not feasible, then the Project will pay 3 months seasonal wages to these workers as Transition allowance</p>
Squatters	Individuals affected by the Project who have been using land for at least one season without the permission or knowledge of a registered landowner or user.	Recent migrants to a site, use of abandoned housing. People that occupy Project affected land after the cut-off date with the hope of receiving compensation	<p>Compensation from the Supplemental Assistance Fund in cases where there is verifiable adverse impact and in accordance with the principles outlined in Section 6.2. Any in-ground crops belonging to a squatter, provided they were planted before the cut-off date, will be compensated.</p>

6.3.2 Compensation to Fishing Enterprises

Where there is a need for relocation of fishing enterprises, as is the case of one company (Lenbok) in Aniva Bay, SEIC will ensure appropriate compensation and assistance to help ensure that such enterprises are in an equal or better position after relocation. In such cases, SEIC will ensure:

- Compensation for lost income, justified and based on value of catch³²
- The removal and relocation of equipment; and
- Assistance in and compensation for application for a new fishing licence issued by the relevant state agencies.

8 temporary workers in Lenbok will be compensated on the principles outlined for temporary workers.

³² The enterprises have been keeping record of the value of their catch (broken down into types of fish) over the last few years. These figures will then be cross-checked with market information from other enterprises and any other available government data.

There will be consultations between SEIC and fish organisations and authorities to discuss potential impacts on the fishing industry on a regular basis (refer to Section 8 on consultations).

SEIC completed commercial negotiations to determine compensation to be paid for damages and lost income with the worst effected enterprise in 2003 (Lenbok). Compensation has been paid and the enterprise vacated its shore site and offshore fishing area in July 2003. Negotiations are continuing with the two other affected fishing enterprises.

As mentioned at Section 5.1.3.2 above, SEIC is committed to minimizing any socio-economic impacts on the fishing industry including small enterprises and ancillary industries and aims to contribute to the sustainable development of the fishing industry and ancillary industries, maximise job and business opportunities in local communities and develop good relations with fishermen and other relevant stakeholders.

6.3.3 Compensation for Dachas/Dacha Owners

In accordance with OD 4.30, SEIC has proposed that dacha owners will be compensated for any loss or damage to crops and vegetable gardens due to construction activities, based on replacement value.. SEIC together with dacha representatives will agree the classification of Quality of Life indicators and “significant” impacts³³. Significant impacts will be evaluated through monitoring the performance of Quality of Life indicators over a period of time. Where quality of life is perceived to be negatively impacted, SEIC will develop a timely and targeted response, including compensation where appropriate, through a participatory process with the impacted community. SEIC has already been made aware of the majority of impacts, both significant and insignificant, through continuous consultations with dacha owners this dacha season and formal grievances received from them. Some of the impacts have been considered as subject to compensation and are planned to be evaluated by independent agencies to allow for calculation of potential compensation packages. Such impacts include a possible reduction in the value of dacha plots due to LNG construction and impact to crops. For other impacts such as road safety, impacts as a result of increased construction workers in the area, SEIC remains committed to mitigation measures as described in Section 6.6.5.

As mentioned above, where a financial and/or economic loss to assets or property of the dacha community is proven as a result of the existence of the LNG plant or any Project related activities, the Company will compensate for this loss. Sakhalin Energy will employ an expert assessor to provide an independent valuation of the property value of the dacha community compared to the value of other dacha communities in Korsakov. Any expert assessor that is appointed will have to be acceptable to both the dacha community and SEIC. Loss in value will include loss in value due to proximity to Project activities. This will be assessed through comparing the standard of properties with properties in other dacha communities in Korsakov.

In addition to compensation, the dacha community will be entitled to a targeted social investment programme. The objective will be to ensure that quality of life is restored to pre-Project levels and in some cases improved. These programmes will be developed in consultation with the dacha community, and with their participation in its

³³ From 2006 the Company will measure generic Quality of Life indicators such as access to transport, agricultural productivity, livelihood status and community participation. Further Quality of Life indicators may be looked as SEIC endeavours to refine these Quality of Life indicators in consultation with the affected community. The Company intend to raise this issue with dacha owners at the next set of meetings in November.

implementation. Examples of these programmes could include construction of water wells and upgrading of roads inside the co-operative.

SEIC proposals have been considered by the dacha owners. During consultations with dacha owners in September, SEIC was requested to provide market value assessments of typical dacha properties. SEIC has agreed to this proposal as it will provide dacha owners with a more precise breakdown of the proposed compensation package to ensure all dacha owners understand its implications and are able to raise concerns. In addition, SEIC will provide increased consultation in the Korsakov area as requested by dacha owners. Further meetings with dacha owners are planned in November in order to finalise the evaluation of impacts and the compensation package proposed by SEIC.

6.3.4 Compensation for the Beach

SEIC has agreed to pay compensation of USD 800,000 to the Korsakov Administration to support park reconstruction in lieu of the impact on the Prigorodnoye beach. This alternative was chosen after a series of consultations with the local community and the Korsakov Administration. Measures to ensure transparency and accountability in the use of the funds will be included in the protocol.

6.4 BASIS FOR VALUATION OF LOSSES

The Russian Federation has well-developed laws and regulations defining the basis to be used for valuation of a broad range of types of loss. The legislative principles of (i) providing equivalent replacement land for long-term losses; (ii) compensating at full replacement cost; (iii) compensating for any losses in net income; and, (iv) focus on restoring lost production capacity accord closely with OD 4.30. The legislative basis for valuation is described in Table 6-02.

SEIC has engaged a third-party, specialist appraisal firm to determine the compensation due to each Project affected party to accord with Russian Federation legislation. Assessment of any need for additional assistance under SEIC's Supplemental Assistance Programme is undertaken by social specialists with SEIC's SPT.

Larger farms and agricultural enterprises keep detailed accounting records of their income and expenditures related to production. In these cases, the enterprises prepare an estimate of losses, which is used as the starting point for assessing compensation.

Individuals landowner and users do not always have such comprehensive records. In these cases, the Project Land Acquisition Team draws on a number of sources. These include:

- Information provided by affected owners and users, including evidence of historical expenditures, yields and returns;
- District administration annual records of yields, market prices and input costs for different crops grown in their district; and
- Primary research and market survey by SEIC into market prices being achieved for a range of crops over the previous 3 years.

The landowners would be facilitated by the appraisal team to make the most accurate assessment of their inputs and losses through a structured questionnaire which would be used for the purpose.

Assumptions used by SEIC for calculating compensation amounts are subject to third party verification (Please see Annex B for detailed methodology for calculation of compensation and Supplemental Assistance).

6.5 SEIC SUPPLEMENTAL ASSISTANCE PROGRAMME

6.5.1 General

This section summarizes general characteristics of the Supplemental Assistance Programme.

The Supplemental Assistance Programme has been designed to enable SEIC to meet the compensation requirements of OD 4.30 which are not covered by Russian legislation, in particular where compensation may not be otherwise available, on the basis of a set of common guiding principles on eligibility and type of assistance.

The Supplemental Assistance Programme is ongoing and will also be used in conjunction with RAP monitoring to provide additional assistance in the following cases:

- To assist households experiencing unforeseen hardships or difficulties as a result of Project activities; and
- To augment livelihood restoration activities where necessary to facilitate effective livelihood restoration.

6.5.2 Principles

SEIC adopted the following principles for its Supplemental Assistance Programme:

- To ensure compliance with the principles of OD 4.30;
- Ensure people are better off or as a minimum no worse off than before the Project;
- Satisfy Russian regulatory requirements and conditions agreed with local authorities when the Preliminary Land Allocation ROW was established;
- Reach mutually satisfactory compensation solutions through 'reasonable' negotiations (as they pertain to land-users recognised under the Russian regulatory system);
- Secure consensus with Regional and District authorities on SEIC compensation solutions and implement procedures in tandem with those of local authorities;
- Ensure transparency and consistency by documenting compensation communications, approaches, and actions between users, communities and SEIC.

6.5.3 Criteria for Provision of Supplemental Assistance

Supplemental Assistance is provided to individuals in addition to the compensation required by Russian Federation legislation (see Section 3). PAP are eligible for supplemental assistance if their circumstances and status mean that they are not eligible for or will not benefit sufficiently from compensation measures under Russian law.

Criteria for the provision of compensation according to Russian Federation legislation are provided in the relevant legislative acts themselves. In addition, SEIC has developed a set of criteria for identifying potential recipients of Supplemental Assistance, in order to facilitate the process of Supplemental Assistance provision.

The following criteria enable SEIC social experts to determine a land user's eligibility to receive Supplemental Assistance:

Table 6-04: Criteria for Determining Eligibility to Receive Supplemental Assistance

Criteria	Justification
Compensation according to Russian Legislation does not cover actual losses	Loss compensation might be insufficient to cover actual expenditure, as individual users are more often than not unlikely to take account of all their expenditure This particularly concerns the cost of individual labour on soil quality recovery
Land user belongs to an identified vulnerable group	Vulnerable groups identified by SEIC experts include: <ul style="list-style-type: none"> - Households or individuals reliant on government pensions as their primary source of income, - Families with physically or mentally challenged members. - Low-income families with average income less than 4400 R/person/month - Non-registered land users, and - Reindeer herders and their families A land user's status as belonging to a vulnerable group is determined during preliminary analysis of the land user's socio-economic circumstances (see Section 4)
Difficulties with livelihood restoration in comparison to pre-Project conditions	The necessity for supplemental assistance provision may be identified during socio-economic monitoring and information gathering about Project-affected land users, using criteria developed by SEIC for assessing livelihoods restoration

6.5.4 Process of Determining Land User's Eligibility

The following process is used to determine land users' eligibility to receive Supplemental Assistance:

- Recommendations on the provision of Supplemental Assistance are made to SEIC's Compensation Committee by the SPT based on the results of a preliminary analysis of each land users' socio-economic circumstances;
- With reference to the Land Compensation Procedure, the Compensation Committee makes the decision about eligibility of the land user for supplemental assistance and the level of assistance that needs to be provided;
- A Supplemental Assistance package is designed; and
- Final nature and level of support is determined in consultation with individual land users.

6.5.5 Forms of Supplemental Assistance

Supplemental Assistance may be provided in monetary or non-monetary form, or a combination of the two. Monetary compensation would include:

- Shifting allowance for people being physically relocated. This is a one time assistance and will include removal costs.
- A monthly Transition Allowance or hardship allowance for a maximum period of 6 months for vulnerable families facing difficulties in restoring their livelihoods.
- Additional compensation to meet replacement cost and OD 4.30 requirements for land and crops.
- To meet all costs of registration and other expenses involved in buying alternative land.

Experience has shown that individual land users are often unable to evaluate their actual dependence on cultivation and when they receive monetary compensation, they soon spend it on consumption and save or invest very little. This kind of practice

may lead to deterioration in their economic circumstances, and a need for additional financial and rehabilitation support.

In order to avoid such potentially negative Project impacts as a result of providing only monetary compensation where it may not be appropriate, SEIC has developed recommendations for the provision of non-monetary compensation and Supplemental Assistance to eligible recipients. Forms of monetary and non-monetary Supplemental Assistance vary and may include one or more of the following (see Table 6-05 below).

Table 6-05: Form of Supplemental Assistance

Form of Supplemental Assistance	Details
Physical relocation of assets	Moving household goods, farm equipment, and livestock, for example, assistance in relocation of assets of five families from LNG site. Shifting Allowance
Assistance with negotiation and establishment of new land leases and rental agreements and payment of any associated administrative fees or charges.	Provision of assistance to affected people in negotiation with a local authority or potential lessor about conditions and possibility of making of land lease or rental agreements. This assistance could be in form of legal assistance and/or in form of information about land quality/availability.
Assistance in registering land use & land use rights and payment of any associated administrative fees or charges.	A contractor can be engaged to provide registration services, such as: <ul style="list-style-type: none"> - Land survey of new land plot, - Statement of new land plot on the cadastral account, and - Registration of land rights in registration chamber and payment of any associated administrative fees or charges.
Provision of temporary labour to re-establish kitchen gardens and planting beds, etc.,	A contractor can be engaged for goods and service provisioning: <ul style="list-style-type: none"> - Tillage earth, - Delivery of potato, - Seeds, and - Construction or repair of cowshed (Section 6.6.1, RAP), etc.
Short-term access to reliable transportation	Provision of transport for activities such as attending negotiations, receiving compensation and investigating replacement housing. Provision of transport to alternative fishing/hunting/berry-picking sites during the construction period.
Compensation for damage and losses of kitchen garden/subsistence crops	Compensation for single equivalent losses of kitchen garden/subsistence crops growing season, which will be calculated according to the supplemental assistance rates. In assessment of supplemental assistance the following points will be taken into consideration: <ul style="list-style-type: none"> - Investments of development of land plot in view of fertilizers, labour, seeds, use of agriculture mechanism), - Yields losses in view of maximum market price of crop and maximum crop yield).
Assistance to increase productivity from un-affected or other lands agricultural lands owned by the Project affected household.	Engagement of third party expertise to provide advise to affected land users on increasing productivity together with material assistance including: <ul style="list-style-type: none"> - Technical advice, - Supply of superior seed, and - Supply of fertilizer, agrochemicals and the like.
Small business development grants	Provision of grants for development of sustainable enterprises, e.g., reindeer-herding

Form of Supplemental Assistance	Details
	industry, Micro credit linkages for people wanting to start their own business.
Provision of temporary jobs/training to establish livelihoods	Engagement of local individuals or enterprises (e.g. agricultural enterprises from affected communities) to provide services to affected individual land users, such as tillage earth, delivery of potato, seeds, etc. CLOs' assistance to individuals on Project-related employment issues, including coordination with Employment Centres, SEIC and Contractors/Subcontractors (see details in SIAA Section 6.1) for placement of the PAPs. The CLO will play a pivotal role in registering people looking for employment in the appropriate forums, in informing PAPs of job opportunities and assessing the need for any skill enhancement for improved opportunities for the PAPs. Transition Allowance for vulnerable families facing problems in restoring their incomes.

The composition of any Supplemental Assistance package is determined in close consultation with the affected household based on the actual losses or other transaction costs to be incurred by the household as a result of the Project (details of second level interviews and follow-up consultations, are set out at Section 8). The idea is to provide a basket of alternatives to the PAPs to enable them to chose options best suited to their requirements and skill levels. In the case of any relocation, it will be the endeavour of the Supplemental Assistance Programme to ensure that the new location will provide equal, on preferably better, access to social infrastructure

SEIC experience of compensation and Supplemental Assistance both in monetary form and/or non-monetary form is summarised in Table 6-06 (for households affected by the LNG plant/Oil Export Terminal land acquisition).

According to preliminary data of second level interviews with land users affected by the pipeline, in approximately 70% of cases agreements for providing monetary assistance and in 30% of cases, agreements for providing non-monetary assistance will be made.

6.5.5.1 Supplemental Assistance to Dacha Community

In addition to compensation, the dacha community could be entitled to a targeted Supplemental Assistance Programme, in tandem with a social investment programme. The objective of this assistance would be to ensure that their quality of life is restored to pre-Project levels, and in some aspects, improved. These programmes will be developed in consultation with the dacha community, and with their participation in its implementation.

6.5.5.2 Supplementary Assistance to Reindeer Herders

Measures to avoid and minimize impacts on the Uilta and Evenk herders are discussed in a later subsection; compensation for losses is summarized below.

- SEIC will monitor compensation payments made to the Federal Forest Fund and Okha and Nogliki District Administrations for the pipeline corridor to ensure that enterprise *Bayausa* and co-operative *Valetta* also receive fair compensation for their loss of pasture prior to occupation of the land by the Construction Contractor. Some decisions on how to use this compensation have already been made and are reflected in Table 6-06. Where such compensation is not forthcoming through the Forest Fund or District Administrations, SEIC will ensure that monetary compensation or some equivalent form of assistance acceptable to the herders is

agreed and delivered through the Supplemental Assistance Programme prior to Project occupation of the land.

- SEIC will compensate for any loss or injuries to stock caused as a result of Project works or activities.

Supplemental Assistance measures to help increase the productivity and strengthen reindeer herding operations are presently under consideration.

6.5.6 Special Assistance for Vulnerable Groups

Amongst other uses, the Supplemental Assistance Fund will specifically provide special assistance to Project affected vulnerable groups in accordance with OD 4.30 principles.

The Project has developed and implemented thorough procedures for assessing the extent of livelihood and subsistence losses experienced by Project affected households, and for determining the extent to which such losses are or are not covered by official compensation entitlements. Project measures to safeguard the quality of life and livelihoods of vulnerable groups are summarized in the following table.

While there is the potential to identify many vulnerable groups in Sakhalin, the Project will concentrate on those 125 households who have been identified as a Project affected family and identify vulnerable families among them. The socio-economic survey shows that 89% of those 125 families would fall under one or more vulnerable categories. The Project will provide the following assistance/special provisions to those 72-75 families. Monitoring and consultations by the CLO and Supplemental Assistance team will identify households and situations when the assistance needs to be provided.

Table 6-06: Summary of Project Special Assistance to Vulnerable Groups

Vulnerable Group	Reasons for vulnerability	Special Assistance from the Project
Elderly households and households dependent on pensions.	Low level of mobility; High dependency on garden plot cultivation; Pensions lower than subsistence minimum.	Careful assessment of individual household socio-economic status and baseline conditions; Compensation for land, land improvements, assets & damage as for other owners & users; Design of supplemental assistance measures to address individual elderly households' needs & preferences to maintain subsistence & livelihood. This would include a combination of monetary and non-monetary assistance (training, support for employment or access to loan/credit etc.) developed through consultation of the family;
Low income households	Dependency on garden plot cultivation High unemployment and low level of economic activity in poor communities where they tend to live	Special assistance to physically challenged members of households addressing their particular needs in terms of types of employment/enterprises/loans/training, as well as assistance to access better medical facilities as well as other basic

Vulnerable Group	Reasons for vulnerability	Special Assistance from the Project
Non-registered land users	No legal rights under Russian law to claim compensation May be dependent on land use for subsistence (e.g., dairy farming, crop cultivation, reindeer herding)	<p>amenities.</p> <p>Assistance with physical relocation where required</p> <p>Third party verification of adequacy of compensation packages. This will be an independent consultant (an individual or a consulting company). Ongoing monitoring of quality of life/livelihood with additional SEIC assistance provided where warranted;</p> <p>Careful physical and biological restoration of affected land upon construction completion; and</p> <p>Where possible, seek district administration formal recognition of non-registered users' historical use of land and entitlement to compensation; otherwise, provide compensation through the Supplemental Assistance Fund.</p>
Reindeer herders & families	No formal title or rights to the land utilized for spring / summer pasture	<p>Supplemental Assistance measures to help increase the productivity & strengthen reindeer herding operations</p> <p>Provision of grants and access to credits for enterprise development, if so requested by the herders.</p> <p>Ongoing monitoring of quality of life/livelihood of Uilta herders and their families with additional SEIC assistance provided where warranted as a result of Project impacts. This assistance would be in both monetary and non-monetary forms (skill development, improved herding practices etc.).</p> <p>Careful physical and biological restoration of affected pastures upon construction completion</p>

6.5.6.1 Vulnerability due to Project Impacts

As defined in Section 6.2, households losing more than 25% of their total landholdings (even if temporarily for the construction duration) will be identified as vulnerable and will be eligible for the same assistance as the above-identified vulnerable families. According to the socio-economic survey, about 97 families could become vulnerable on this criterion and would be considered for special assistance and would be given a land for land option. Their distribution across Project components is provided below.

Table 6-07: Distribution of vulnerable households according to degree of impacts

Project facility	No. Vulnerable PAPs (HH)				No. Reindeer Herders (HH)			
	Seriously affected	Not-seriously Affected	Perm	Temp	Seriously Affected	Not-seriously Affected	Perm	Temp
Pipeline	48	44	-	92	-	5	-	5
Pipeline SPZ	TBD	TBD	1	-	-	-	-	-
LNG/OET	5		5	-	-	-		-
LNG/OET SPZ	-	-	-	-	-	-	-	-
Total	53	44	6	92	-	5	-	5

6.5.6.2 Other Vulnerable Groups

The Project acknowledges its wider responsibilities to vulnerable sections of society in Sakhalin and the Project area and commits to developing social investment programmes targeted at such groups that will address the root cause of those vulnerabilities (health/education/access to employment/natural resource enhancement etc.). Such vulnerabilities will be identified in consultation with the Oblast administration and the vulnerable groups. In addition there is a SIMDP that specifically addresses the issues of the Indigenous People.

6.6 SUMMARY OF ENTITLEMENTS TO DATE

A summary of the compensation and other assistance to the impacted people is presented according to the major Project components. These are based on the entitlement criteria discussed in the earlier part of this section. Where applicable, Supplemental and other assistance are included. The proposed mitigation measures³⁴ are also described; first by Project component and then by the major impacted categories.

6.6.1 Compensation and Resettlement Activities for the LNG Plant/ Oil Export Terminal

The types of compensation and assistance provided to households affected by the LNG plant/Oil Export Terminal land acquisition are summarised in the following table.

Table 6-08: Summary of Entitlements for Households (Registered and Unregistered) Affected By LNG Plant/Oil Export Terminal

Type of Loss	Compensation	Basis for Compensation Calculation	Other Assistance
Loss of house / dacha	Replacement house / dacha	House of equivalent floor area & quality in location acceptable to the affected household, with equivalent access to services	Assistance to formalize eligibility for compensation for 4 unregistered users. Provision of transport during moves (where needed). Shifting allowance to cover removal costs
Loss of garden plot	Replacement garden plot	Garden plot of equivalent area & level of improvement to that lost	Payment by SEIC of administrative costs associated with the land transfer & registration Payment by SEIC for any inputs & technical expertise required to improve replacement garden plots to condition equivalent to that lost to the Project
Loss of pasture & hayfields	Replacement land	Land of equivalent size & quality, with equivalent improvements to that lost to the Project	Supplemental assistance to one household experiencing difficulty in accessing hayfields is in the process of being finalised. Payment by SEIC of administrative & transaction costs associated with the land transfer & registration Payment by SEIC for any inputs & technical expertise required to improve replacement land

³⁴ Mitigation is distinguished from compensation and other assistance in that it is aimed at reducing the degree of a potential impact or taking corrective action that would help ameliorate a situation of adverse impact. Compensation is understood as measures (usually monetary), taken to recompense/ make up for loss, deprivation or injury.

Type of Loss	Compensation	Basis for Compensation Calculation	Other Assistance
			to condition equivalent to that lost to the Project
Loss of other buildings, structures, assets (wells, fences, animal sheds, yards, etc)	Equivalent replacement at the new house/land plot	Other buildings, structures, assets of equivalent size and quality, with equivalent improvements to that lost to the Project	Replacement cowshed was constructed by the Project for one resettled household on their new land
Loss of annual crops	Monetary compensation for in-ground crops at time of compensation assessment	Based on estimated value of inputs (seed, fertilizer, labour, equipment) up until time of land acquisition. Rates based on cost norms current at the time of acquisition.	

On the basis of interviews and consultations, most households are assessed as being capable of effectively managing and budgeting their cash compensation. For these households, cash compensation is an opportunity to acquire local services to meet their needs potentially at more competitive rates than achievable by the Project.

6.6.2 Compensation for Landowners and Users Affected by the Pipeline and Associated Facilities

While the Project will compensate for all land taken from private landowners, in cases where more than 25 % of a land parcel is affected by Project construction, the Project will endeavour to locate equivalent replacement land for the affected household. Such land is readily available in most districts. The Project will assist households to secure legally recognized use rights over replacement areas. In case of the Project affecting more than 25% of the total land owned by the landowner, the affected family would be considered vulnerable/seriously affected according to the principles outlined in Section 6.2.

As noted in Section 1.8, the mechanism to be used for securing for SEIC the rights to land necessary for pipeline operation has not yet been finally resolved. Dependent on the mechanism that is used, and subject to the extent of use restrictions to be applied, owners and users may be entitled to some additional compensation.

The types of entitlements that have been or will be extended to protect affected small landowners and users affected by pipeline construction and operations are summarised in Table 6-09.

Table 6-09: Summary of Compensation for Small Landowners and Users (Registered and Unregistered) Affected by the Pipeline and Associated Facilities

	Compensation	Basis for Compensation Calculation	Other Assistance
<i>Temporary Use of Land for Construction Period (3-years temporary use of land)</i>			
Temporary loss of use of kitchen gardens (2 cases)	Monetary compensation	Monetary compensation for lost net income and/or subsistence output for the construction period based on SEIC assessment of typical yields, income and input costs	Full reinstatement of the land plot to pre-Project levels upon construction completion. Regular monitoring & additional Supplemental Assistance where warranted
Temporary loss of use of	Monetary compensation	Monetary compensation for lost net income based on accounting records showing yields,	Full reinstatement of the land plot to pre-Project levels upon construction

	Compensation	Basis for Compensation Calculation	Other Assistance
potato fields & hayfields		income and input costs; or, SEIC assessment of typical yields, income and input costs	completion Regular monitoring & additional Supplemental Assistance where warranted
Loss of trees & perennial crops	Monetary compensation	Based on full replacement cost of the tree/shrub including cost of seedling, labour, water & fertiliser inputs, plus income foregone until the replacement tree reaches equivalent maturity & production to that lost to the Project, starting from the year of withdrawal.	Lost income calculated based on highest market prices & input costs at the time of acquisition. Third party verification of rates & compensation calculations
Loss of in-ground annual crops	Monetary compensation for in-ground crops at time of compensation assessment	Based on estimated value of inputs (seed, fertilizer, labour, equipment) up until time of land acquisition. Rates based on cost norms current at the time of acquisition.	Third party verification of rates & compensation calculations
Loss of other buildings, structures, assets (wells, fences, animal sheds, yards, etc)	Monetary compensation or equivalent replacement at the new house/land plot	Monetary compensation based on full replacement cost as determined by District technical specialists using local cost norms	
Damage or disruption to services	Monetary compensation	Based on losses determined in accordance with Russian legislation -	
Severance impacts	Considered on a case-by-case basis - Monetary compensation where the ROW fragments a land parcel leaving parts unworkable or uneconomic to utilize.	Monetary compensation for lost net income for the construction period based on accounting records showing yields, income and input costs; or, SEIC assessment of typical yields, income and input costs	
Loss of income (downtime during relocation)	Monetary compensation	Monetary compensation calculated on basis of net income losses and damages incurred during the construction period	Monthly Monetary or Transition allowances from Supplemental Assistance Fund where income losses are incurred as a result of the move that are not compensated under Russian legislation
Losses (cost) of restoring land after temporary use for construction	Full restoration of land by the Construction Contractor. Monetary compensation for any loss of profit until land is fully restored	As above	Includes costs of third party of measuring soil chemical & biological status, technical advice on required inputs to achieve pre-Project productivity levels.
Permanent Use of Land/ Operations Period			
Loss of house (2 cases)	Replacement house	House of equivalent floor area & quality in location acceptable to the affected household, with equivalent access to services	Assistance to formalize eligibility for compensation for unregistered users Provision of transport during moves (where needed) Shifting allowance to cover removal costs
Permanent	Replacement land, or	Land of equivalent size & quality, with	Payment by SEIC of administrative &

	Compensation	Basis for Compensation Calculation	Other Assistance
loss of productive agricultural land	Monetary compensation according to the preference of the affected landowner	equivalent improvements to that lost to the Project	transaction costs associated with the land transfer & registration Payment by SEIC for any inputs & technical expertise required to improve replacement land to condition equivalent to that lost to the Project
Loss of structures and attachments	Monetary compensation or equivalent replacement at the new house/land plot	Monetary compensation based on full replacement cost as determined by District technical specialists using local cost norms	
Loss of trees & perennial crops	Monetary compensation	Based on full replacement cost of the tree/shrub including cost of seedling, labour, water & fertiliser inputs, plus income foregone until the replacement tree reaches equivalent maturity & production to that lost to the Project, starting from the year of withdrawal.	Lost income calculated based on highest market prices & input costs at the time of acquisition. Third party verification of rates & compensation calculations
Severance impacts	Considered on a case by case basis - replacement land (or Monetary compensation) where Project land acquisition fragments a land plot & leaves it unworkable or uneconomic to use	Land of equivalent size & quality, with equivalent improvements to that lost to the Project or Monetary compensation based on cadastral prices as determined by a district land commission.	
Losses resulting from restriction of use for Sanitary Protection Zone & Safety Exclusion Zones	Monetary compensation	Monetary compensation for lost net income based on accounting records showing yields, income and input costs; or, SEIC assessment of typical yields, income and input costs	

6.6.3 Mitigation Measures for Commercial Fishing Enterprises Affected by Marine Transport Facilities in Prigorodnoye (LNG Jetty, MOF, TLU)

Compensation arrangements for the three privately operated commercial fishing enterprises in Prigorodnoye have been discussed in an earlier part of this section.

From the point of view of mitigation and functional support, SEIC has well-developed processes for disseminating information and advisories to local commercial fishing interests. Formal navigation notifications and warnings to shipping and fishermen relating to Project off-shore construction activities are issued through the Oblast and federal authorities. In addition, SEIC maintains a regular dialogue with the commercial fishing industry NGO, the Sakhalin Association of Fishermen (ARS), which has 100-140 regular members (See Section 8).

The Company has been directly interacting with potentially affected enterprises and will continue this consultation process, including consultations on potential negative impacts on business and appropriate mitigation measures.

The entitlement principles also define compensation for seasonal and permanent workers affected in such enterprises.

There are a number of standard procedures that will be adopted by SEIC to reduce potential direct impacts on commercial fishing vessels or equipment; these are as follows:

- Continued consultation will be carried with interested parties and prior notification will be given to them providing details of platform towing routes and schedules, and the location and scheduling of construction and pipe laying activities;
- Notices to Mariners will be issued giving the location of the temporary and permanent exclusion zones around the construction and platform sites;
- Should fixed fishing gear be located along the pipeline routes, the fishing representative will organise its removal and return. As a last resort, a support vessel may be required to remove the fishing gear;
- Records will be kept of all communications with fishermen and damage to fishing gear and all compensation claims will be handled according to agreed protocols between the contractor and the local fisheries representatives;
- Where appropriate, further investigations will be carried out by SEIC on existing commercial fishing activities and general vessel operations within the area potentially affected by construction activities and platform operations to further define appropriate mitigation measures to ensure that impacts to PAP are adequately addressed. This will particularly be the case where significant environmental or social impacts are identified;
- SEIC's dredging and disposal policy is fully in line with the regulatory regime of the Russian Federation. SEIC is presently in the process of developing a "Dredging Standard", which will outline the measures and processes required to protect environmental interests during dredging and the disposal of material arising from dredging activities. Proposed dredging works and the determination of disposal locations is also undertaken in consultation with the main environmental regulatory body (SakhNIRO).
- There is a consultation mechanism in place with the fishing community including the Sakhalin Fisheries Association that will allow them to air all their concerns, where related to the environment (such as dust and noise levels), livelihood or wider social impacts (for example, the migration of fishermen to other areas). These concerns will be recorded by the consultation and monitoring process:
 - CLO monitoring framework;
 - SPT internal monitoring activity;
 - Grievance Procedure; and
 - Issues Management process.
- An External RAP Monitor (third party independent resettlement specialist) will be monitoring PAP grievances in addition to the SPT. The External RAP Monitor will prepare an audit report semi-annually and at the end of 36 months from completion of construction.

6.6.4 Mitigation Measures for Impacts on Small-Scale Fishing including Indigenous Activities and Ancillary Industries.

SEIC is committed to contributing to the sustainable development of fishing and ancillary industries and the maximisation of job and business opportunities in local

communities. SEIC aims to develop and maintain good relations with fishermen in order to assist in the process. Mitigation measures for impacts on small scale fishing including indigenous activities and ancillary industries include:

- SEIC will develop a baseline of information on such small-scale enterprises, including indigenous activities and community fishing, that use the Project area for fishing activities. SEIC will also gather information on fishing related ancillary industries and document how and to what extent they are dependent on the commercial fishing activities in that area. Detailed data on native fishing enterprises will be available following completion of the 2005 IP Survey by the Company. In addition, as stated at Section 4.3.3, the Company will be conducting surveys on an informal basis through the CLO network on small enterprises and ancillary industries.
- SEIC will open up a regular communication channel with fishing enterprises and ancillary industries (at least twice a year). A position has been identified within the EA team which will have responsibility for liaison with fishing stakeholders. The communication process and regular dialogue with these stakeholders and through CLO activities will help SEIC to provide updates to these groups about Project activities like pipeline, exclusion zones and document any issues and concerns related to fishing activity.
- SEIC will monitor impacts on fishing, including indigenous activities and ancillary industries. This will be undertaken within the quarterly monitoring programme through checklists and tools designed in consultation with the fishing enterprises and ancillary industries. The issues facing ancillary industries would be different from those facing the fishing enterprises.
- In case there are impacts that require compensation, then the principles outlined in this Section 6 of the RAP will be followed to evaluate and compensate the losses (according to RF and OD.4.30), PAP will be able submit their claims through the claims process. CLO's will ensure that PAP are made aware of this claims process and the Grievance Procedure (see section 8.6). In case there are other mitigation measures required, then these measures will be identified through consultation with the impacted fishing community and/or ancillary industries.
- The 3rd party audit will independently assess if the socio-economic conditions of these fishing and ancillary industries have worsened/improved due to the Project and will also review the effectiveness of the grievance process (see Section 8.6)

6.6.5 Mitigation Measures for Prigorodnoye Dacha Community

SEIC has committed to mitigating any impacts of Sakhalin II Project activities and addressing community concerns including those of the dacha users/owners in the Prigorodnoye dacha community.

As there are concerns regarding communication and the lack of information and its dissemination (see Section 5.1.4.2), SEIC aims to continue building credibility and a relationship with this wider group via the following activities:

- Regular communication with all dacha users/owners, including via telephone and individual mailing
- Regular site visits to dacha communities
- Completion of mitigation measures as swiftly as possible (see below for list of mitigation measures)

- Provision of factual information on LNG activities, particularly in relation to health and environmental concerns, in order to alleviate public anxiety about real and potential impacts

More details are set out in Section 8.4.

The following table describes the current status of mitigation measures that SEIC has committed to carrying out in order to address impacts from the LNG Project activities.

Table 6-10: Prigorodnoye Dacha Community Mitigation Measures: Status as of August 2005

01 August 2005

Mitigation measure	Progress/status to date	Timeline	Done
Road conditions and safety (to mitigate dust impacts and address safety concerns)			
Improvement of dust suppression on the stretch of main road that passes the dacha communities and is used by Project traffic	CTSD is watering the road up to twice a day, five days a week. Further watering is not possible without destroying the quality of the road.	Ongoing	✓
Placing of bus stops in both dacha communities	Bus stop project for dacha communities developed, agreed with LNG Contractor and currently being approved with relevant authorities. Permanent stops are not permitted by the local authorities but temporary stops will be installed provided approval is received.	October	
Application for a low speed limit to be set for the main road	Agreement made in late June with LNG Contractor to apply for appropriate road safety measures to be put in place		
Installation of traffic signs on main road to increase safety on the road	Letter with official request has been sent to road authorities requesting a speed limit change. Briefing to drivers on road safety	July, August, September	
Health/environment-related impacts			
Air quality monitoring	Informational packages on air quality monitoring including official reports for 2003-2005 sent out to dacha community members Air quality data to be provided regularly to dacha users/owners New data collection point in Stroitel dacha community agreed and dacha owners to be involved in data collection.	July	✓
Testing of water quality, construction of new wells and regeneration of old wells in both dacha communities	Visual checks held by EA and HSE showed that water wells are not drilled properly and are likely to be used for watering only, not drinking. Company has rejected claims that they caused impacts to water quality	August	✓
Additional noise level measurements	Noise level measurements carried out and noise levels found to be fully compliant with Russian standards Dacha community to be involved in future noise monitoring activities	June 11	✓
Preparation of information leaflets to raise awareness about safety aspects of flaring	Leaflet currently being prepared Integrated flaring communications plan being developed	Qtr 4, 2005	

Mitigation measure	Progress/status to date	Timeline	Done
Preparation of packages of information about safety and mitigation measures	Information packages sent to dacha users/owners	August	✓
Others			
Grievance Procedure	Most of cement waste removed from environs of Teplovik community; the waste at the entrance to the community will be removed in August	August	
	See SIAA Section 4.4 for further examples	-	✓

6.6.6 Mitigation Measures Directed Towards the Impacted Reindeer Herders³⁵

In addition to compensation and Supplemental Assistance discussed in the earlier sub-section, measures to avoid and minimize impacts on the reindeer herders are proposed. These draw upon previous and ongoing consultations³⁶ with the impacted communities and are detailed in the SIMDP. The proposed mitigation measures are summarized below.

- SEIC established clear channels of communication with the Uilta reindeer herders to ensure they fully understand the pipeline construction activities and schedule so that they can plan the timing and routing of their herd movements and locations for calving accordingly.
- To the extent feasible, the Project will seek to minimize the clearance of unburned pastures during construction, especially between pipeline km 0.00 to km 7.00. Options to be considered will include:
 - Winter construction on snow pads to minimize the need to strip existing vegetation other than directly over the pipeline trenches; and,
 - Modification of the working width within the overall pipeline ROW where feasible, to reduce the need for topsoil stripping and clearing.
- SEIC will coordinate with the Sakhalin I Project regarding any activities that could be jointly implemented to minimize cumulative impacts on the herders' spring and summer pastures.
- SEIC will monitor the Contractors' performance in restoration of reindeer pasture areas, with the participation of the herders themselves.
- SEIC maintains ongoing monitoring of the reindeer herders' livelihoods throughout the construction and pasture restoration period. SEIC will also monitor the welfare of their families as part of the Indigenous People's monitoring programme.
- SEIC and the Construction Contractor will communicate to the herders clear avenues for lodging a complaint that are readily accessible to them³⁷.

The following mitigation measures also emerged out of workshops with herders:

³⁵ A more comprehensive discussion of mitigation measures is contained in Section 14.2 of the Project Social Impact Assessment

³⁶ A table of key points from consultations is included in Section 8.

³⁷ See Grievance Procedure outlined in Section 8.6.

Table 6-11: Other Mitigation Measures

Activities/Issues	Outcomes	Timeline/Duration	Progress
Communication between herders and SEIC/Contractors, in particular regarding construction schedules and potential impacts	Contractor (SS) has prepared a special Communication Plan with herders to provide information on Project-related construction and other activities that may impact herding.	By January 2005 workshop	Done Discussed with herders during January 2005 workshop and agreed with them
	As agreed at the second herders' workshop in August 2004, quarterly meetings will be held with two herder representatives, one Val resident and CLOs from SEIC, the Contractor and the Subcontractor. This is one part of the Contractor Communication Plan, which was a commitment of the Phase 2 SIA (2003) and developed in 2004 (see above).	Ongoing during contraction period potentially impacted on herding	In process
	SEIC to draw up a Statement of Intent with the reindeer herders of Val.	By January 2005 workshop	Done Discussed with herders during January 2005 workshop and agreed with them
Commitment to provide supplemental assistance to the herders	SEIC has committed to providing supplemental assistance directly to the reindeer herders of Val (based on impacts).	Under discussion And see below	In process And see below
	As a result of the herder workshops in 2004 and January 2005, the following commitments were made: - SEIC agreed to provide fuels/lubricants during the course of construction as well as feed and assistance in transportation - SEIC will purchase 4 radio stations for herders	During contraction period During 2006	In process Key papers work is completed and they are in on approval round of relevant authorities, including federal
	SEIC agreed to consider delivery of products to the west coast of Okha District during calving to enable herders to avoid construction impacts and benefit from good pastures (Feasibility report and delivery plan to be prepared by herding enterprise 'Valetta')	Timeline is not agreed as another option was agreed with regards of re-routing	N/A
Transparency of official compensation process (payments were made in 2003-2004)	Compensation monies paid to Nogliki District Administration according to Russian compensation legislation allocated in accordance with herders' and Val local public self-government's recommendations (Note: in 2003, in accordance with RF legislation, the indigenous community of Val set up their own local public self-government - territorial'noe obschestvennoe samoupravlenie).	2004	Done

Activities/Issues	Outcomes	Timeline/Duration	Progress
	SEIC invited Nogliki District Administration to participate in workshops with the herders. During first workshop Administration made commitments on transparency and type of disbursement of compensation monies paid into Nogliki budget. During each workshop Nogliki Administration reported about status and progress of compensation spending.	Spring 2004	Done
	On consideration of recommendations submitted by herders, Nogliki District Administration reported that they would use compensation payments from Sakhalin I and II as follows: <ul style="list-style-type: none"> - To purchase three 'Buran' skidoos and trailers to them for the herders, - To purchase sporting guns for the herders, and - For infrastructure repair in Val (community, where herders families live), in particular repair of gas lines to 50 houses and improvement of water supply. 	2004-2005	Done
Proposals to re-route the Sakhalin 2 Project pipeline at Piltun to reduce the impacts on Western Pacific grey whales	Three options for pipeline re-routing were discussed in the August workshop; herders noted their favourite route, one route that was acceptable, and one that was unacceptable. The herders' preferences have been captured in the Comparative Environmental Analysis of the three alternative pipeline routes and will be considered as part of the decision making process.	Discussed during August (2004), January and June (2005) workshops	Done, herders accepted Chaivo re-routing

6.6.7 Mitigations for Forests and Fisheries Used for Local Recreation and Subsistence

OD 4.30 (Para. 15) notes that "Some types of loss, such as access to ...fishing, grazing or forest areas, cannot easily be evaluated or compensated in cash terms. Attempts must therefore be made to establish access to equivalent and culturally acceptable resources and earning opportunities."

The Project has undertaken thorough consultations with communities and indigenous groups to identify areas used for gathering forest produce, berry grounds, hunting and fishing areas that may potentially be affected by Project construction and operations.

As construction spreads move close to these areas, Community Liaison Officers will work closely with local communities to avoid or minimize construction impacts on important local resources. Community consultation during the SIA³⁸ demonstrated a significant level of concern among central and northern rural populations regarding Project impacts on fishing and berry/ mushroom gathering and, in some cases, wild game.

38 SIA Addendum

Project actions to minimize and mitigate losses to locally used forests, berry fields and fisheries can be summarised as follows:

- Careful attention to facilities siting, including use of existing infrastructure corridors and brown fields sites to avoid so far as possible natural resources known to be exploited by local communities;
- Use of special techniques to cross major rivers to avoid impacts on water quality and fisheries;
- Thorough consultations with communities, indigenous groups and clan enterprises to identify areas used for gathering forest produce, berry grounds, hunting and fishing that may potentially be affected by Project construction and operations;
- Where Project affected communities do not have ready access to alternative natural resources, the Project will provide transport to enable them to reach alternative areas;
- Social monitoring of communities adjacent to Project construction areas to identify any cases of Project related hardship, and to provide supplementary assistance where warranted;
- Construction focus on careful restoration of the pipeline corridor upon construction completion;
- Rigorous enforcement of a no hunting, no fishing, no gathering policy on the Project's construction workforce; and
- Clear channels for local communities to lodge a complaint³⁹.

In addition the Project will consider sustainable development programmes that will focus on resource enhancement of resources like berries and mushrooms (see Section 4 of the SIMDP and Table 6-02).

39 Refer to Section 8.6 for Grievance Procedure

7 LAND ACQUISITION PROCESS

This section describes the Land Acquisition procedure adopted by SEIC, as also the institutional arrangements and identification of roles and responsibilities for implementing the land acquisition and the RAP.

7.1 GENERAL

The Sakhalin II Project land acquisition procedure is based on Russian legislative requirements with supplemental measures where required to achieve compliance with OD 4.30. All steps are supervised and approved by the appropriate government administrative bodies within the federal, regional and municipal or district administrations.

7.2 LAND ACQUISITION PROCEDURE

Based on procedures defined in the Russian regulations governing land acquisition, the land acquisition process occurs in two phases:

- Phase 1: Preliminary Land Allocation (PLA) and awarding of survey rights; and
- Phase 2: Final Land Acquisition (FLA).

The typical procedure for securing rights to land for both construction and operation phases include:

- Selection of land plot and issue of the preliminary land allocation;
- Implementation of work on formation of land plots;
- Payment of compensation;
- State Cadastre Registration;
- Issue of Final Land Allocation; and
- Execution of Land Agreement.

7.3 PROCEDURE FOR LAND VALUATION AND COMPENSATION ASSESSMENT

The valuation of land follows the process and guidelines outlined by the Russian federation laws. Russian law requires that any affected land user, who has recognisable rights to land, should be compensated for losses, where losses are defined as a sum of actual losses and lost profits. The system of cadastre registration in the RF provides a general source of information about land values in each particular cadastre territory

SEIC has developed its own procedure for loss assessment, valuation and compensation associated with the Project acquiring the rights to land necessary to construct and operate the pipeline (see Figure 7-01). The procedure is based on requirements of applicable Russian legislation. It is also augmented by SEIC's Supplemental Assistance Programme for cases where the requirement for compensation under OD 4.30 is more extensive than provided for under Russian Federation laws. Types of assistance that are offered by SEIC through the Supplemental Assistance Programme have been described under Section 6.5.

The steps in the assessment process are described in the following sections.

7.3.1 Steps in the Process

The supplemental assistance and compensation process consists of five major steps as described below:

Table 7-01: Steps in the Compensation/Supplemental Assistance Process

Step	Action	Process
1	Identification of land users, census and notification	Survey and consultations
2	Assessment of eligibility for Russian regulatory compensation and/or supplemental assistance	Interviews for assessing eligibility under Russian Federation laws and for Supplemental Assistance.
3	Development of compensation packages and implementation of compensation process	Consultation and negotiations
4	Grievance Redress	Provision of a Grievance Redressal Mechanisms through the Project period.
5	Monitoring and adjustments to compensation and supplemental assistance packages	Consultation, interviews and direct observation. Internal as well as third party monitoring.
6	Remediation and return of land after construction	Technical Assessment in consultation with the landowners.

Step 1: Identification of land users, census and notification

The first step in the compensation process is to identify the number of potentially affected landowners and users and to assess compensation requirements. District land authorities identify registered land users. Unregistered users are identified by SEIC's Land Acquisition Team through analysis of Project documentation, consultation with SEIC field specialists and household surveys, which included census and consultation with potentially affected land users. In addition, there have been ongoing efforts by SEIC's CLOs to identify any remaining unidentified land users in each district. At this stage potential affected land users are notified about withdrawal of land plot, the compensation process and the Grievance Procedure. A preliminary Land Allocation notice is issued.

Formal consultation with the affected community begins at this stage.

Step 2: Assessment of Eligibility for Russian Regulatory Compensation and/or Supplemental Assistance

The second step is to assess the eligibility of the Project affected parties for compensation. This involves initially assessing their entitlements (if any) under Russian legislation and then determining whether any supplemental assistance from SEIC will be required. Supplemental assistance is used in two circumstances:

- To 'top-up' compensation payable under Russian law where necessary to meet international standards (OD 4.30); or
- To pay compensation in cases where affected parties are ineligible under Russian law, but entitled under World Bank OD 4.30.

Eligibility for supplemental assistance is determined through open-ended interviews and administration of Supplemental Assistance Questionnaires (in two parts). The operation of the Supplemental Assistance Programme is described in more detail in Section 6.

Simultaneously the SEIC specialists or contractor carries out the mapping and inventory of land plots and assets and assessment of social-economic status of affected household. The interviews, socio-economic survey and the mapping of land plots together help in determining the entitlement of the Project affected parties.

Step 3: Development of Compensation Packages and Implementation of the Compensation Process

Based on the findings from Step 2, a compensation package is developed for each affected party consisting of compensation entitlements under Russian legislation and,

where applicable, additional compensation delivered through SEIC's Supplemental Assistance Programme. Compensation packages may variously consist of cash, equivalent replacement land and assets or other kinds of 'in-kind' assistance.

For those people suffering impacts that would be eligible under the RAP, there is a dedicated claims process for additional compensation claims (the Resettlement and Compensation Claims Process). CLO's will ensure that PAP are made aware of this claims process (see section 8.6).

Step 4: Implementation of the Grievance Redressal Mechanism (The Grievance Procedure)

Grievances start coming in primarily when compensation aspects get decided. SEIC will ensure that at this stage a proper GR mechanism in place and the Project affected parties are adequately informed of the entire process through meetings, consultations and information booklets. A detail of the GR mechanism has been provided in Section 8.6.

Step 5: Monitoring and Adjustments to Compensation and Supplemental Assistance Packages

The SPT undertakes ongoing monitoring of the implementation and effectiveness of the Supplemental Assistance Programme to identify any modifications necessary to strengthen its effectiveness. Both internal and third party monitoring will be used to improve the effectiveness of the programme.

Step 6: Remediation and Return of Land after Construction (where applicable)

Effective restoration of Project affected productive lands is a key component of the Project's livelihood restoration strategy.

SEIC has committed to a comprehensive Soil Reclamation and Erosion Protection Plan (SREPP) for lands disturbed temporarily by Project construction activities. This plan is required under Russian federation legislation as part of the Final Land Allocation (FLA). The plan was completed for SEIC by FGUP MosNIPlzemleustroistva, and is included in the TEO (see also Section 7.8 in the Phase II SIA).⁴⁰

A diagrammatic representation of the LA process is shown on the following page.

40 Technical and Economic Substantiation Study for Construction, also commonly called the Feasibility Study

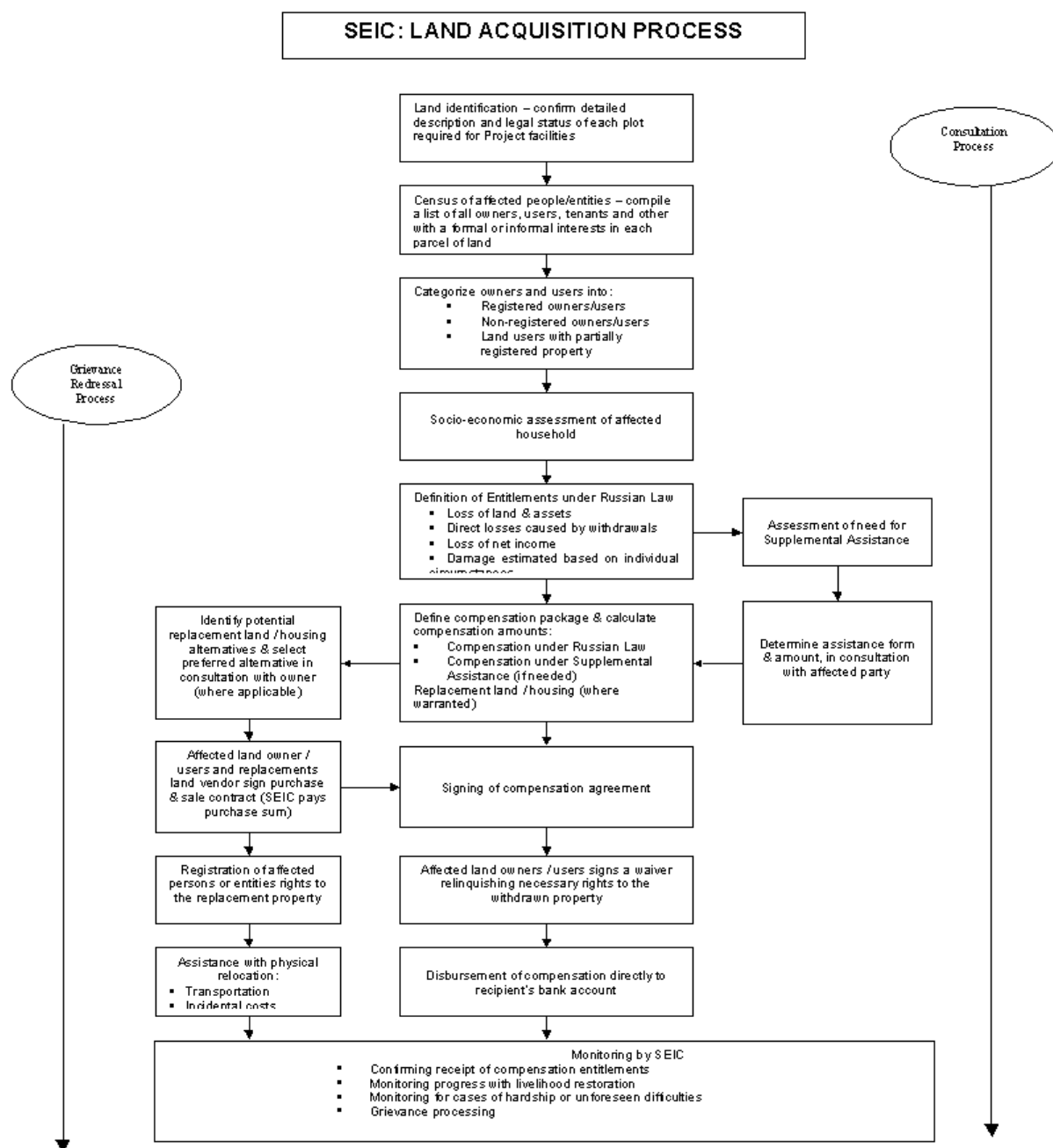


Figure 7-01: SEIC Land Acquisition Process

7.3.2 Types of Loss Recognized for Compensation

A wide range of types of loss are recognized as eligible for compensation under Russian law including payments for losses incurred on agricultural land, forests and fisheries.

Compensation may take the form of cash, provision of replacement land and facilities, or a combination of these. For example, when a farmer has to be relocated, the local authorities are required to provide a new plot of land while the investor pays the compensation for loss of production capacity, costs of moving and other costs.

The Russian regulatory compensation system for agricultural land is divided into:

- Compensation for damages to land paid to various state entities (e.g., cost of land-improvement facilities built with federal or municipal resources and cost of alternative plot development); and
- Compensation for investments in land paid to individuals or enterprises (e.g., cost of residential, industrial and other buildings and structures, based on current costs of equipment and materials, construction and other works).

Other types of loss that are compensated include in-ground crops, loss of fruit trees and berry fields, and other costs or loss of income that may arise from land use restrictions or physical impediments to economic activities. Compensation for land improvements undertaken at the expense of a registered land user is paid to that user.

7.4 PROCEDURE FOR PAYMENT

SEIC transfers compensation payments for the reimbursement of losses directly to the bank accounts of the affected landowners and users. All affected land losers have bank accounts. The bank accounts are not only more secure, but also discourage unnecessary expenditure on consumption items.

Where PAP/landowners do not have bank accounts SEIC will provide assistance to such PAP landowners in opening bank accounts including administrative/legal costs and arranging appropriate transport to the settlements where banks are located to assist PAP in establishing an account.

The sums intended for damage recovery are transferred to the budget of the appropriate federal, regional or municipal entities.

Dates for the remittance of funds are not specified in regulatory documents except for the resources dedicated to damage recovery at the Final Land Allocation. The sums are transferred within three months after the allotment of the plot of land. In all cases, PAP will receive compensation payments prior to the land being occupied by the Project in accordance with OD 4.30 principles.

Where SEIC pays to individuals any compensation established under RF legislation and paperwork for such compensation is properly settled, such payments shall not be subject to tax. However, if necessary supporting documents are absent, then SEIC (acting as tax agent) shall withhold and pay to the budget 13% (or 30% for non-residents) on personal income tax on the amount before the payment made to individual. This leads to the issue of providing “replacement value of asset” to PAP. The Project will therefore explore ways in which the compensation can be topped up to the extent that after the tax the households is still able to get in hand the replacement value.

Any compensations made in-kind (houses/land) involves situations where title for house or land transfers from SEIC to individual and thus such transaction is also subject to personal income tax withholding, VAT at 18% as well as other property/land

taxes are in scope. It will be undersigned in each contract that SEIC will bear all such taxes/costs to ensure that the PAPs get a replacement value for land.

7.5 RESETTLEMENT PROCESS

Section 6.6.1 described in detail the resettlement of the 5 families affected by the LNG Plant/OET. The main steps involved in the resettlement process are summarised below and these determine the requirement for any future resettlement in the Project.

- Identification of resettlement need;
- Baseline information collection through consultation and interviews/surveys;
- Inventory and notification for resettlement;
- Formation of a Commission with the relevant District Administration, with representation from SEIC, administration, Land Acquisition team and general public;
- Commission agrees on compensation, relocation options and requirements regarding housing, land, amenities and supplemental assistance;
- Discussion with family on the compensation and resettlement options;
- Identification suitable sites for relocation (if required, with the help of real estate agents);
- Inspection and evaluation and final selection of sites by SEIC and affected family;
- Signing of agreements;
- Assistance with physical shifting; and
- Regular monitoring

7.6 ROLES AND RESPONSIBILITIES

Respective roles and responsibilities for land acquisition and resettlement activities are summarised in Table 7-02.

Table 7-02: Land Acquisition and Resettlement Roles and Responsibilities

Activity	Purpose	Period	Responsible Authority	Implementing Body
Land plot boundary & ownership identification	To define land plots, owners, users & lessees affected by the Project	Planning	SEIC	SEIC Land Acquisition Team
Registration of land	To formalize owners/users rights to the land which they occupy as a legal basis for compensation	Pre-construction	Local Authorities	Affected land users with SEIC support if needed.
Census of Project affected owners, users & occupiers (including informal users)	To identify owners, users and occupiers (and informal users and occupiers) eligible for compensation or supplemental assistance as defined by the RAP	Planning	SEIC	SEIC Land Acquisition Team
Survey & inventory of affected land & assets/ valuation of losses	To measure land, crops, structures & other immovable assets as the basis for valuation of losses and calculation of compensation	Pre-construction	SEIC	SEIC Land Acquisition Team

Activity	Purpose	Period	Responsible Authority	Implementing Body
Socio-economic survey of Project affected households	To establish baseline income & expenditure levels of affected households as basis for monitoring livelihood restoration	Planning	SEIC	SEIC SPT
Drafting of agreements & calculation of compensation	To formally document changes in rights to land, restrictions of use and associated compensation entitlements	Pre-construction	SEIC	SEIC Land Acquisition Team, Contract Department, Legal Department
Identification & allocation of replacement land	To identify and make available replacement agricultural land or house plots where physical resettlement is required	Pre-construction	SEIC	SEIC Land Acquisition Team, Contractor
Improvements to replacement land & construction of replacement housing	To undertake improvements as necessary to ensure replacement land & housing are equivalent to or exceed original land/house quality	Pre-construction	SEIC	Contractor, if needed
Payment of compensation	To disburse monetary compensation (free of any deductions) to all eligible landowners, lessees and users	Before occupation of the land by the contractor	SEIC	SEIC Finance Department
Issue of replacement ownership documents / lease agreements	To formalise all transfers and changes in land rights and ownership, including restrictions of use	Pre-construction	SEIC	Contractor
Restoration of construction affected agricultural & productive land	To ensure construction affected land is restored to its pre-Project productivity following construction completion	Construction	SEIC	Construction Contractor
Administration of the Supplemental Assistance Fund	To provide compensation/assistance to affected households to meet OD 4.30 requirements where more extensive than under Russian law	Pre-construction & Construction	SEIC	SEIC Land Acquisition Team & SPT
Administration of grievances about land	To respond to complaints about land and provide redress where warranted	All phases	SEIC	SEIC Land Acquisition Team
Administration of other Project related grievances	To respond to complaints about Project construction & other activities, and provide redress where warranted	All phases	SEIC	SEIC SPT
Community consultation & disclosure	To keep Project affected communities informed about Project activities & HSE issues	All phases	SEIC	SEIC SPT
Monitoring & evaluation	To monitor delivery of compensation & entitlements in full, as well as effectiveness of livelihood restoration	All phases	SEIC	SEIC SPT

7.7 INSTITUTIONAL ARRANGEMENTS

SEIC has an organisational arrangement in place to meet the commitments of implementing the Resettlement Action Plan and related documents such as the SIMDP. The assessment and management of social issues as part of major oil and gas projects is a relatively new area. Historically the Company's process to ensure

that social commitments were implemented and reported on was relatively informal and largely depended upon the efforts of individuals such as the Social Focal Points and Community Liaison Officers within the applicable Asset Teams. The Company has recognised the need to build on the current system to introduce clearer structures and procedures and to adopt and organise them in a more rigorous social impact management system.

The following parties play key roles:

7.7.1 Social Performance Team (SPT)

The SPT plays a pivotal role in planning and implementing all commitments made under various programmes namely:

- Supplemental Assistance Programme (SAP)
- Sakhalin Indigenous Minorities Development Programme (SIMDP)
- Social Impact Monitoring Programme (CSIMP)

Separate specialists coordinate each of these programmes and are responsible for both planning and implementation as well as regular monitoring of these programmes to ensure the objectives outlined in the RAP and SIMDP are being met.

There is a SPT Coordinator who is part of the External Affairs team in SEIC.

7.7.2 Community Liaison Officers

These are 12 in number and are based in the camps at different Project locations. Some of them directly work with the Project teams, while others work directly with the External Affairs team. The CLOs are the “eyes and ears” of SEIC in the field and have the direct interface with the community, are responsible for consultations, information dissemination, issues monitoring and receiving and resolving minor grievances which they can manage at their levels. In the case of more serious grievances, the CLOs refer the matter to the SEIC Compliance Department.

The CLOs work in close coordination with the other members of the SPT and inform the various programmes.

7.7.3 Legal Team and Central Approvals Team

These two teams work in close coordination to get the various approvals required for the Project, including land related approvals. Besides handling compensation and planning and implementing resettlement, they work in close coordination with the Supplemental Assistance Programme to ensure that each Project affected household gets full compensation and is assisted in restoring their livelihoods.

7.7.4 Project Teams

The Project teams are responsible for the construction and operation of the Project and work through Managing Contractors and sub contractors. As their work is primarily in the field and in close vicinity of the community, they also play a key role in community engagement and local issues management such as employment, local contracts and grievance redressal.

7.7.5 External Affairs

This department has the overall responsibility of corporate communications and public relations, engagement with various stakeholders including the community, government and lenders, and managing all social issues of the Project. The SPT reports to External Affairs.

An Organisational Chart, outlining the roles and responsibilities, reporting patterns and information flow, is provided in Figure 7-02.

7.7.6 Management of RAP and SPT

The implementation for the RAP involves many parts of the organisation which are set out above (sections 7.7.1 to 7.7.5). It is the responsibility of the Social Performance Team to ensure effective networking and coordination across these parts to ensure effective performance of the RAP. This will be achieved via informal/virtual networking and formal meetings as a part of the compliance monitoring, reporting and checks required under the RAP. The SPT reports to the External Affairs Manager who has a company leadership position and is a member the Sakhalin Energy Leadership Team. The Sakhalin Energy Leadership Team comprise the most senior SEIC management overseeing the execution of the Sakhalin II Project. The External Affairs Manager is responsible for the management and implementation of the RAP and has direct access to the top level of management in the company. A Social Performance Manager, reporting to the External Affairs Manager, who will assume day-to-day responsibility for RAP issues is in the process of being appointed. The Social Performance Manager will have appropriate Russian and international expertise.

RAP related key responsibilities of the Social Performance Manager will include:

- Day-to-day coordination of the teams responsible for the implementation of the RAP such as the SPT and CLOs;
- Managing the delivery of the international financing currently being put in place in compliance with the commitments under the RAP and the activities of the relevant teams responsible for the delivery of those commitments
- Ensuring the uniform understanding of the RAP principles within the Company and its Contractors;
- Ensuring the delivery of the RAP commitments by the Project Asset teams and Contractors where required; and
- Managing the Resettlement and Claims Compensation Process.

In addition the Senior Compliance Manager for the Finance Department who reports directly to the Finance Director will also receive regular updates from the Loan Compliance Officer for the Phase 2 financing on the performance by SEIC of all its obligations under the Finance Documents.

ORGANISATIONAL ARRANGEMENTS

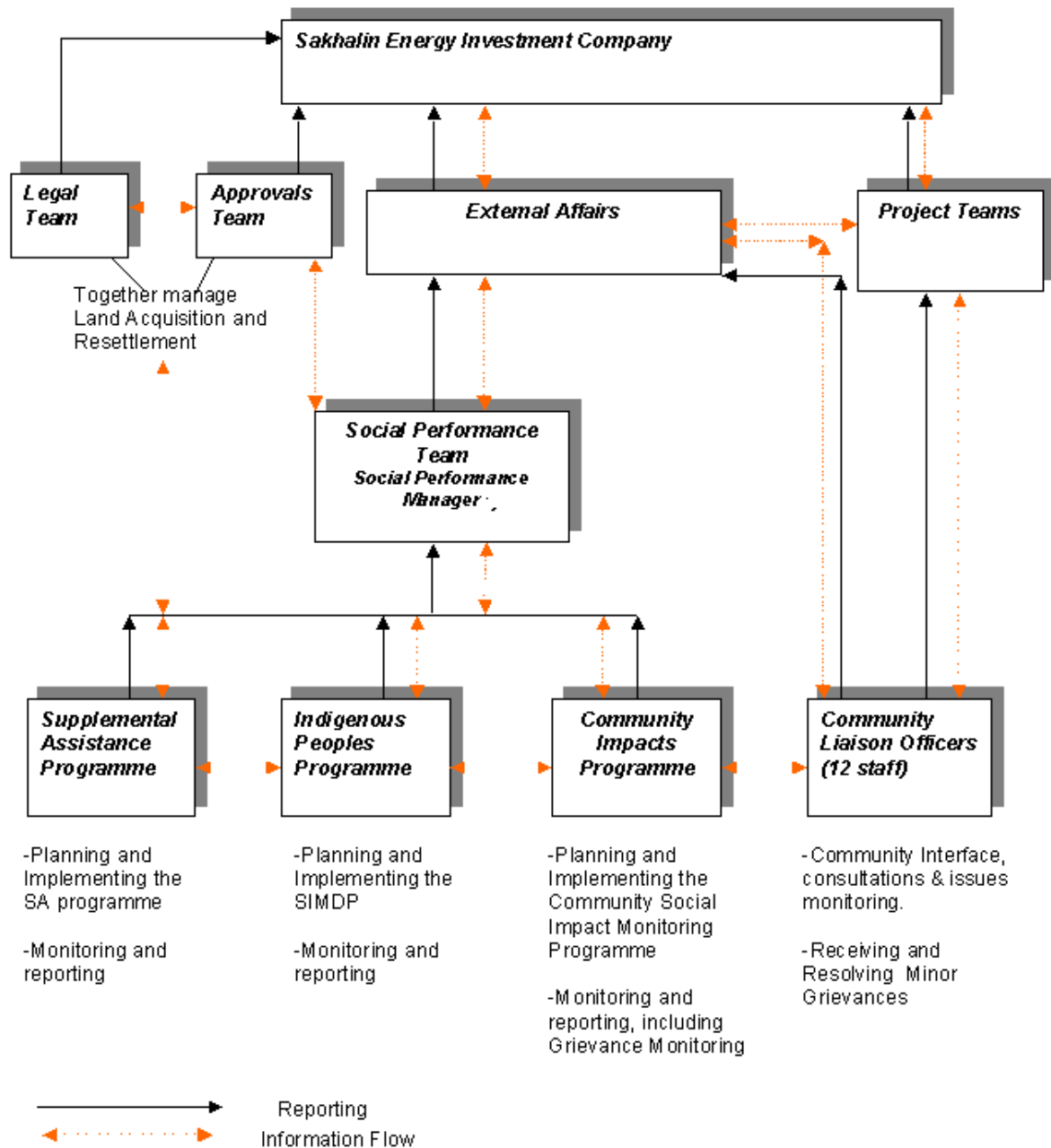


Figure 7-02: Organisational Arrangements

8 CONSULTATIONS, DISCLOSURE AND GRIEVANCE REDRESSAL

The World Bank policies on resettlement place particular emphasis on the need to involve involuntary resettlers in resettlement planning. OD 4.30 indicates that "...to obtain cooperation, participation and feedback, the affected hosts and resettlers need to be systematically informed and consulted during the preparation of the resettlement plan about their options and rights".

This section presents an overview of the continuing consultation process between SEIC and impacted communities. Special focus is directed towards the consultation process for Supplemental Assistance in order to highlight its purpose. Consultations carried out in relation to Supplemental Assistance are phased in order to be most effective. Focused consultations have also been carried out with two specifically impacted categories - those employed in the commercial fishing industry and Uilta reindeer herders; so as to include impacts and concerns particular to their occupation.

In conclusion, the mechanism instituted for grievance redressal has been discussed. A grievance redressal mechanism is essential to ensure that entitlements are effectively transferred to the intended beneficiaries in a timely manner and that they are able to lodge complaints or voice concerns, without cost and with the assurance of a timely and fair resolution.

Consultation activities for the Sakhalin II Project have been thorough and extensive⁴¹. Key stakeholders were identified early in the planning process and have systematically been kept informed and consulted on an ongoing basis since. Project affected households have been consulted about their preferences for compensation and have been offered alternatives regarding the form of assistance that they receive, the process of receiving it and, where applicable, the locations they would like to be relocated to.

The consultation process was initiated in 2002 (ahead of formal land acquisition and resettlement activities) ensuring that the impacted people were aware of the Project and its implications. Project affected households have generally demonstrated a sound understanding of land acquisition procedures and of their compensation entitlements. Feedback from consultations has been used to inform the development of the RAP and the Supplemental Assistance Programme.

Decisions such as on the replacement of part of Prigorodnoye Beach have been undertaken on the basis of broad consultation and through participatory processes. Information about the Project has been widely disseminated through one-on-one meetings, focus group discussions, public meetings, and pamphlet distributions as well as through local newspapers, radio and television.

8.1 SEIC PUBLIC CONSULTATION AND DISCLOSURE EFFORTS

8.1.1 SEIC Consultation Process Overview

A Public Consultation and Disclosure Plan (PCDP) has been prepared in accordance with World Bank standards, which defines the Company's approach to consultation and disclosure and aims to ensure that adequate and timely information is provided to PAP and other stakeholders, and to ensure that these people have the opportunity to

41 Refer to the Social Impact Assessment document for details of consultations (Sections 5, 6, 12).

voice their opinions and concerns about the Project. The PCDP is available on the Sakhalin Energy website⁴², and is updated on an annual basis.

The public consultation programme has been ongoing since 1992, demonstrating SEIC's commitment to working with Project-affected groups and other stakeholders to reach mutually satisfactory solutions. The following table describes the main components of the ongoing consultation programme.

Table 8-01: SEIC's Ongoing Consultation Programme⁴³

Year	Type of Consultation	Details
1992-ongoing	Social Programme Support	Support for wide range of cultural, educational, environmental programmes.
1996-1997	Phase 1 Consultation Effort	Public consultations primarily related to construction of the offshore platform Molikpaq.
1997-ongoing	External Affairs	Regular consultation and support of social/cultural programmes through SEICs External Affairs/SPT staff.
2001-2002	Phase 2 Consultation Effort	Consultations on Phase 2 construction activities.
2002-ongoing	Ongoing Consultation	Ongoing consultations on Project impacts and mitigation measures, including compensation and supplemental assistance.

8.2 COMPENSATION AND SUPPLEMENTAL ASSISTANCE CONSULTATIONS

8.2.1 Purpose

The objectives of Supplemental Assistance consultation efforts are to:

- Explain to Project affected households the procedures that would be followed for land acquisition, compensation and resettlement as well as their legal rights and entitlements;
- Determine the socio-economic status of households eligible to receive compensation or supplementary assistance;
- Informally test preferences for types of compensation and supplementary assistance; and
- Ascertain the most acceptable ways for delivering or disbursing compensation and supplementary assistance that meet the needs and constraints of both the affected households and SEIC.

The consultations are central to SEIC's comprehensive action plan on compensation and supplemental assistance for land users who are affected by Phase 2 Project implementation. The consultation effort allows SEIC to:

- Identify the current socio-economic situation;
- Identify preferred forms of compensation/supplementary assistance;
- Assess possible alternatives through which affected land users might receive compensation and/or SA;

42 http://www.sakhalinenergy.com/about/abt_consultation.asp

43 The consultation process up until 2003 is described in Social Impact Assessment (2003) and the Social Impact Assessment Addendum (2005) and PCDP (2005) describe consultation that has been going on since.

- Evaluate appropriate methods of providing compensation or supplemental assistance which would meet the needs of both land users and SEIC;
- Develop recommendations on the nature of compensation; and
- Use interview results in social monitoring, producing adequate comparative analysis of community socio-economic status before and after provision of compensation/ supplementary assistance.

In addition, the SA Group also undertook the following:

- Identified any gaps in the types of losses experienced by Project affected households and entities, and their eligibility for compensation under Russian Federation legislation;
- Identified any Project affected landowner and users who were eligible for compensation and/or supplementary assistance, but who may have been missed in the census of affected households and entities carried out for the PLA;
- Gathered information to inform SEIC's land acquisition and resettlement planning and to assist with development of the Supplemental Assistance Programme.

Through careful planning and siting of facilities, Project impacts on private landowners and users have been minimized. Project alternative position papers are presented for each key asset on the Sakhalin Energy website (www.sakhalinenergy.com). SEIC has adopted a policy of supplemental compensation to fill any gaps that may exist between Russian regulatory compensation and World Bank requirements.

Table 8-02: Consultations Process Summary up to 2004

Time	Consultations	References
September, 2001	Consultation with land users in Prigorodnoye under initial scoping	RAP, Section 5.1.1.1, SIA, section 3.2.1
February-March and April, 2002-	Baseline data collection under SIA	SIA, Section 3.4
June, 2002	Community consultation on impacts and mitigation measures	SIA, Section 3.5 and Section
June-August, 2002	Specific community consultations on site selection	SIA, Section 5.6.2
August-September, 2002	Compensation and Supplemental Assistance Consultation	SIA, Chapter 3.6.1
2003-2004	Consultations on resettlement with land users affected by LNG construction	RAP, Section 5.1.1.1
October, 2004	Consultations on Supplemental Assistance	RAP, Sections 6 and 8.2
April 2003, May 2005	Consultations with Household in Firsovo	--
2004	Interviews with land users potentially affected by PP	RAP, Section 4
2002-2004	Consultation on Prigorodnoye beach	RAP, Section 4
2004-2005	Consultations under monitoring Programme	RAP, Section 9
Since 2001	Consultations with IP	RAP, Section 8.5
Since 2004	Consultations with dacha community	RAP, Section 8.4

See footnote 44

44 Consultations with IPs are summarised in SIA, Chapters 6 and 14 and Appendix E to it.

All efforts have been made to address/respond to the concerns voiced during consultations. The issues raised⁴⁵ have been flagged in the table below, with a parallel column that gives references to the sections of this report that respond to them.

Table 8-03: Issues related to Compensation and Supplemental Assistance

Issues	References
Where will construction of each facility be/what specific areas will be affected (garden plots, berry grounds, property, etc.)?	SIA Section 8 and Appendix G
Who will receive compensation?	RAP, Sections 5 and 6
How will compensation be worked out/paid?	RAP, Section 6
Compensation for withdrawal of the beach from public use.	RAP, Section 6
Feasibility of SEIC investing in improvement/construction of beach facilities on another public beach to make up for the loss of the existing public beach to the LNG plant.	RAP, Section 6
How can I get compensation?	RAP, Sections 6 and 7
How is compensation calculated?	RAP, Section 6, Annex B

8.2.2 Phases of Consultations

Consultation activities were organised into three phases:

Table 8-04: Phases of Consultations

Phase	Timing	Activity
1	August-October 2002	Preliminary consultations with IUP specialists to identify potentially sensitive areas (areas used by people not included in the list of those subject to compensation/supplementary assistance).
2	2003-2004	Interviews with those subject to compensation/supplementary assistance through questionnaires and clarification on Status and eligibility.
3	Since 2003	Reporting on the results of interviewing and provision of recommendations for SEIC and follow-up actions

8.2.2.1 Phase 1: Defining the Process and Identifying Potentially Affected Land Users

In August/September 2002, SEIC began the process of identifying and consulting with land users who might be eligible for supplemental assistance. During this phase, SEIC undertook the following activities:

- Consulted with specialists from the land survey organisation Sakhzemyroyekt to identify typical problems of the compensation process;
- Analysed PLA materials and other Project documents to identify potentially affected land users who might be eligible for supplementary assistance and/or who were not originally identified during the PLA process; and

⁴⁵ Information on concerns related to specific communities collected during baseline survey and community consultation on impacts and mitigation measures are listed in SIA, Section 5.6.1.

- Consulted with Infrastructure Upgrade Project staff, the Approvals Department and other local key informants to gather information on potentially sensitive areas along the pipeline ROW.

Consultations were held with a cross-section of community leaders, government officers, key community informants and PAP in northern and central Sakhalin during September 2002. In October 2002, similar activities were implemented in southern Sakhalin. Consultations included meetings with specialists from District Land Committees in Nogliki, Smirnykh, Poronaisk, Makarov, Dolinsk and Aniva. The aim of this effort was to identify any unaccounted for landowners or users in the pipeline ROW and sanitary protection zones.

The census of affected households was updated on the basis of findings. The identification of locations where communities practiced subsistence and recreational activities in the vicinity of Project facility sites and Sanitary Protection Zones was another important outcome of this phase of consultations.

8.2.2.2 Phase 2: Clarification of Status; Administration of Questionnaire

On this stage land users are interviewed. The aims of interviewing include:

- Clarification of residential and land-use status of the area in question;
- Providing preliminary information to Project affected households about the procedures that would be followed for land acquisition, compensation and resettlement;
- Assessment of the socio-economic status of Project affected households (social status, income/expenditure structure, lifestyle, extent of dependence on garden plots, etc.); and
- Informally test preferences for types of compensation and supplementary assistance.
- Questions allow the respondent to reveal their intention to continue practising agricultural activities and preserve their existing lifestyle.

The questions were grouped into the following ten categories:

Table 8-05: Categories of Questions

No.	Categories	Issues
1	Family description	Family composition and occupation Place of residence Family income and spending
2	Land use	History of land use Status of land use Attractiveness of this territory to owner
3	Tangible assets	Buildings and constructions Agricultural land and cattle/other animals Equipment and transport
4	Household economy	Agriculture Household production (what activities; economic significance) Production/household income Production/household expenditure
5	Infrastructure	Heating, electricity, sewerage, water provision, etc.
6	Gathering, fishing, hunting	Where do people fish, hunt and gather? What significance do these activities have
7	Lifestyle	Existing lifestyle and standard of living Expected change of lifestyle associated with Project development
8	Education levels and access to education services	The education levels of family members and access to kindergarten, secondary schools as well as colleges.
9	Health	Healthcare provision Public Health/family's state of health

No.	Categories	Issues
10	People's knowledge about the project	Knowledge about Project sites. Expectations from the Project

Note: Questionnaire used for this survey has been attached in Annexure C

The questions were set out in two parts⁴⁶:

- Eligibility for Supplemental Assistance determined through open-ended interviews and administration of Part 1 of the Supplemental Assistance Questionnaire;
- If the land user was eligible for assistance or of unclear status, Part 2 of the questionnaire was administered on a subsequent visit. Eligibility to participate was based on economic and other criteria, as well as a participatory consultation interview(s) relating to individual household needs.

The interviews focused on:

- Clarifying the user's residential and land-use status;
- Identifying the social and economic status of each land user;
- Assessing a potential range of suitable supplemental assistance based on questions concerning each land user's future; and
- Discussing family plans for the future (economic/lifestyle).

Interview questions were open-ended and not limited by the wording or order of questions, allowing for full information to be provided by the respondent.

8.2.2.3 Phase 3: Follow-Up Actions

After the interviews were completed, all responses were documented and reviewed. On the bases of the results, the SPT developed recommendations for SEIC on the nature and procedure of compensation/supplementary assistance.

8.3 CONSULTATIONS WITH SAKHALIN FISHERMEN

SEIC has regularly consulted with the commercial fishing industry, including those directly and/or potentially affected, primarily through the Sakhalin Association of Fishermen (ARS) since 1997. ARS is an NGO whose objective is to protect the rights of Sakhalin fishermen. The number of businesses represented varies year by year but generally ranges between 100 and 140. ARS also communicates regularly with the Association of Hokkaido Fishermen.

SEIC and ARS have met on a quarterly basis since 1997. These meetings provide a forum for discussing Project activities as well as related monitoring and management measures. SEIC has also held briefings with the Hokkaido Government and the Association of Hokkaido Fishermen to brief them on Project activities, potential impacts and management measures. A summary of the ARS meetings is given below:

⁴⁶ See Annexure C for the full questionnaire.

Table 8-06: Meetings between SEIC and Sakhalin Association of Fishermen (ARS) until 2003

Time	Meetings Held
1997-2000 (Vityaz complex)	<ul style="list-style-type: none"> - Quarterly meetings between ARS and SEIC from 1998 to present. - SEIC participation in ARS-organised presentations, exhibitions, and publications. ARS participation in SEIC events - oil spill response training, workshops, and drills. - June 2000: ARS delegation visits Vityaz complex to see Molikpaq operation.
March-December 2001	<ul style="list-style-type: none"> - Four meetings between ARS Chair and SEIC Deputy CEO/Technical Director concerning: - Project plans/design and schedules, - Supervisory Board meetings and approvals of SEIC plans and budgets; - SEIC shareholder/lender requirements, - LNG sales, and - Communications with Japanese fishermen. ARS informed of the Principals' visit to Sakhalin, ARS Chair attends official presentation in Prigorodnoye on the LNG plant project/plans. - ARS informed of purpose, schedule and progress of Phase 2 public hearings and provided with a copy of a TEOC 2001 PEIA. SEIC sponsored trip to SHELL the UK, Norway, and the United States for representative of Sakhalin fishermen and the Russian fishery authorities. - SEIC invited the Russian State Fishery Committee but they did not respond to the invitation. - ARS updated on SEIC environmental performance. - Monthly communication with ARS.
2002 and on-going	<ul style="list-style-type: none"> - SEIC and ARS continue regular meetings. - SEIC Deputy CEO/Technical Director meets with Hokkaido Government and Hokkaido Fishermen in Hokkaido in mid-January. - ARS participated in an external auditing programme. ARS provided with SEIC press releases, brochures and other materials. - Latest version of EIA document sent to ARS.

In addition to consultations with ARS the Company interacts with the following organizations:

- Sakhalin Scientific Research Institute for Fishery and Oceanography
- Fisheries Club
- Regional Centre for Coastal Fishing and Fish Stock Survey

The Company has also been developing a plan of consultation and interaction on the potential impacts on fishing and appropriate mitigation measures. This plan will include consultations with:

- Authorities,
- Professional fishermen, whose opinion are the most respected, and
- Fishermen unions and organizations

Small scale fishing enterprises and ancillary fishing industries may not be represented by official organisations. The Company will consult with these enterprises on an individual basis from the end of 2005 and the completion of the CLO survey.

SEIC will open up a regular communication channel with fishing enterprises and ancillary industries at least twice a year. A position has been identified within the External Affairs Team which will have responsibility for liaison with fishing stakeholders. The communication process and regular dialogue with these stakeholders and through CLO activities will help SEIC to provide updates to these groups about Project activities such as the pipeline and exclusion zones and document any issues and concerns related to fishing activity.

The SIMDP, which is currently being developed, will describe traditional fishing related consultation activities. Consultations with native fishing enterprises have been on-going since 2002.

Further assessment and monitoring include:

- Conduct public opinion surveys. This will be discussed in Social Impact Monitoring Programme,
- Interact with experts, and
- Collect and analyse available statistical information

8.4 CONSULTATIONS WITH DACHA COMMUNITY

The Company has recognised the Prigorodnoye dacha issue as a high impact issue and has been working on a targeted consultation process. This section sets out in more detail the consultations with dacha communities conducted to date and how the Company plans to manage this issue further.

Consultations conducted to date

SEIC has been consulting with the dacha communities since 2004. The meetings have been conducted within the dacha communities themselves. The main aims of the meetings have been to:

- Present the current status of affairs regarding the establishment of the SPZ
- Inform about SEIC approaches to compensation, schedule of work, proposals to establish a Joint Dachas Working Group and SEIC disclosure plans
- Identify concerns and questions of community members

Dacha owners and users have also been informed about the SEIC Grievance Procedure, the CLO open hours and comment boxes in the Korsakov CLO office. These provide further opportunities to ask questions and express their opinions on resettlement and compensation issues as well as on Project activity as a whole.

The External Affairs department has responded to all grievance letters that have been received from members of dacha communities and have discussed issues in face-to-face meetings and via the telephone. Local authorities and dacha communities are regularly informed about proposed Project activities.

Key meetings and activities from the consultation process since 2004 are summarised in Table 8-07 below.

Table 8-07: Key Meetings and Activities relating to Prigorodnoye Dacha Communities in 2004-2005

Date	Activity
2004	
From January to present	Regular meetings with Korsakov District Administration and regular updates on SEIC activities
June 15	Joint meeting with Administration and dacha community representatives to identify a meeting time and potential questions
June 26-27	Meetings with dacha communities (98 participants), announced in advance on information boards in dacha communities and via leaflets handed out to dacha owners/users
2005	
May	Sakhalin Energy Leadership Team (SELT) decision on 1km SPZ

Date	Activity
May-June	SELT decision reported to Korsakov Mayor, Mr. Zlivko, Sakhalin Sanitary Committee, the Sakhalin Oil & Gas department, dacha communities, NGOs and the local media. Relevant documentation provided on request to stakeholders.
Week commencing May 30	SEIC had regular meetings with Sakhalin Oil & Gas Department during which SEIC would provide clarification regarding the basis for adopting a 1km SPZ.
June 6	SEIC meeting with dacha communities, NGOs and media
June 14 and 25	Onsite visits to dacha communities
July	Ongoing visits and phone calls with the Stroitel Dacha Community Executive Committee
September	Proposed mitigation, compensation and social investment activities presented to Stroitel Executive Committee
October	Ongoing consultation with dacha community regarding SEIC proposed consultation packages and dacha property evaluation works.

In September 2005, SEIC presented its proposed compensation package to the Stroitel dacha owners. SEIC proposals have been considered by the dacha owners. SEIC has agreed to provide dacha owners with a more precise breakdown of the proposed compensation package to ensure all dacha owners understand its implications and are able to raise concerns. In addition, SEIC will provide increased consultation in the Korsakov area as requested.

Further meetings with dacha owners are planned in November in order to finalise the evaluation of impacts and compensation package proposed by SEIC.

Further consultations will include:

Table 8-08: Consultations with Dacha Communities

Type of consultations	Frequency
Dacha community meetings	Twice a year (mostly in dacha season)
Consultations with Dacha Executive Committees	At least quarterly
Consultations with stakeholders on dacha issues, including	As requested or needed
Individual meetings	As requested
CLO open house conducted in dacha communities	Monthly during dacha season

In addition dacha community members are welcome at the CLO office or use comment boxes located in Korsakov (information about CLO offices and comment boxes are available in the PCDP).

The key purposes of consultation is:

- Timely identification of potential impacts and issues with regards to Project activity;
- To track the socio-economic situation;
- Timely identification of appropriate mitigation measures on impact and concerns; and
- To obtain feedback on mitigation measures and the consultation process.

The External Affairs department manages all consultations with dacha owners/users.

8.5 CONSULTATIONS WITH INDIGENOUS PEOPLE

8.5.1 Purpose and Objectives

SEIC has implemented an Indigenous Peoples' Consultation and Monitoring Programme since 1994. From 2001, for the Phase 2 Project, this program was expanded to meet the spirit and intent of the World Bank Operational Directives (ODs) 4.20 on Indigenous Peoples and 4.30 on Involuntary Resettlement.

For the SIA/SIAA, the program has involved regular consultation (interviews, focus groups and public meetings) with Indigenous Peoples' leaders, interest groups, enterprises and community residents, as well as interested NGOs and relevant Indigenous People related authorities. The aims of consultation are to:

- Inform Indigenous People about Project activities, including discussion of construction schedules;
- Discuss potential and perceived Project-related impacts;
- Discuss proposed and already implemented mitigation measures;
- Determine whether supplemental assistance is needed and monitor the Supplemental Assistance Programme; and
- Identify Indigenous People community needs and potential areas for support.

Since 2003, on behalf of SEIC, Sakhalin Regional Museum has been conducting a socio-economic survey under monitoring activity. Regular consultation and monitoring activities will be carried out in order to ensure that Project-related benefits are maximised and potentially negative impacts minimised.

Since 2003, an Evenk CLO from Val has been working with the Indigenous Peoples communities in Nogliki and Tymovsk Districts (and the non-Indigenous People community of Val). Her work includes development of the SIMDP, assistance to local residents with job seeking and resolution of public grievances.

The methods used for consultation and monitoring include interviews, group consultations, resource mapping, and use of questionnaires⁴⁷.

8.5.2 Ongoing IP Consultations

Phase I and Phase II Indigenous People consultations up to 2002 are outlined in the Phase 2 SIA (2003). Ongoing consultations since 2003 until the middle of 2005 are listed in Appendix C of SIAA. As for Consultations under SIMDP preparations and discussions they are described in SIMDP (Section 1 and Appendixes to it).

Field research as part of the SIA/SIAA consultations demonstrated that Sakhalin II Project Phase 2 construction work would have greater direct and indirect impacts on the population and settlements of Nogliki District than those of Okha, Tymovsk, Smirnykh and Poronaisk districts. Specific areas most sensitive to Phase 2 construction were identified, including certain reindeer pastures, rivers and hunting areas in the Nogliki District.

Therefore on-going Indigenous People consultations have more focus on impact mitigation measures in Nogliki District and will involve collaborative development and implementation of mitigation measures by SEIC, indigenous representatives and local authorities.

⁴⁷ For a description of these wider consultations, reference should be made to the SIA Addendum (2005). Additional details are provided in the SIMDP.

Key Indigenous Peoples concerns expressed during the SIA/SIAA consultations included the following:

- Potential environmental pollution including salmon spawning rivers, coastal lagoons (bays) and coastal waters;
- Potential oil spills;
- Safe utilization of industrial waste;
- Preservation of berry fields, hunting areas and marine bio-resources;
- Limitation of access to berry fields and other traditional resource-use areas;
- Access to local fishing, hunting and gathering grounds by incomer workers;
- Impacts on reindeer pastures (land-take) and reindeer (noise, poaching due to increased access, etc.);
- Access to job opportunities and transparency of the hiring process;
- Need for specialist training in professional skills and the English language;
- State of local roads and road safety;
- Need for an expert review of Indigenous People livelihoods and cultural heritage, with a focus on Project impacts;
- Payment of compensation for impacts on territories of traditional natural resource use; and
- Project revenue sharing and potential social investment support.

The SIMDP outlines how these concerns are and will be addressed (Sections 3 and 4).

8.5.3 Consultations with Reindeer Herders

As the reindeer herders are directly impacted by Project land-take, since 2004 besides other regular consultations SEIC has agreed with herders to held regular workshops with them to discuss Project related impacts, appropriate mitigation measures and compensation issues. The section describes consultation activities and findings that have taken place with the Val reindeer herders, some of whose activities are directly affected by the Project as a result of land acquisition.

During this period four facilitated workshops with reindeer herders initiated by Sakhalin Energy were conducted (see table below). Reindeer herders and their families, representatives from Nogliki Administration, Sakhalin Energy Investment Company, Exxon Neftegas Limited, Val community, and Nogliki Hunting Department participated in these workshops.

During the meetings the following goals were achieved:

- To inform the reindeer herders about the schedules of Sakhalin II Project construction work in the areas where they live,
- To discuss and consult with reindeer herders concerning potential and perceived Project-related impacts on their activity, and
- To consult on reindeer herders' needs and potential programmes to be supported by Sustainable Development (SD) and Social Investment (SI) programmes.

Table 8-09: Facilitated Workshops with the Reindeer Herders (2004-2005)

Date	Location	Number of participants				
		Total	Reindeer herders, family members, Val community reps	SEIC	Exxon	Nogliki District Administration
May, 2004	Garomay river	33	20	8	2	3*
August, 2004	Diamus river, Piltun	32	20	9	1	2
January 2005	Val	35	19	13**	1	2
June, 2005	Garomay river	32	21	9	1	1

* including a representative from the Hunting department

** including 2 representatives of StarStroy (Sakhalin-2 contractor), 2 representatives of SMU-4 (Sakhalin-2 subcontractor)

8.6 RESETTLEMENT AND COMPENSATION CLAIMS PROCESS AND SEIC GRIEVANCE PROCEDURE

8.6.1 Resettlement & Compensation Claims Process

SEIC are committed to addressing stakeholder concerns regarding resettlement and compensation. PAP have been involved in the development and implementation of the RAP to reduce potential complaints regarding resettlement and compensation. However, should an individual or group of PAP have a query or claim relating to the RAP compensation process, SEIC have established a claims process. This process will be publicised amongst PAP by CLO's to ensure that they fully understand their rights to claims or, following on from this, grievance redressal for resettlement or compensation related issues.

If any PAP has a claim in relation to resettlement or the compensation process they should contact a member of the External Affairs Department or a CLO to lodge this. The claimant will receive a response from SEIC within 14 days that the claim is received. The claim will be managed by the Social Performance Manager. As part of the claims assessment process SEIC will initially offer face-to-face discussions at the location of the claimants' choice, to ensure that the claim can be assessed quickly. Records of all claims and follow up actions are to be maintained by the EA Department and reported regularly to the Sakhalin Energy Compliance Manager.

Contact details of the CLO's and SEIC EA Department are provided in the PCDP.

If the claimant is not satisfied with the response or the outcome of the claim assessment process, they should lodge a grievance following the Grievance Procedure (which applies to all Project related grievances, not just resettlement and compensation), details of which are outlined in the following section.

8.6.2 Grievance Procedure

A grievance is defined as an actual or perceived concern and/or dissatisfaction with the Project and its related activities. SEIC's Grievance Procedure describes the process by which people affected by the

The public grievance leaflet advises those with a grievance on how they can lodge a grievance relating to Sakhalin II Project activities. This also applies to individuals who have been part of an involuntary resettlement programme.

The public grievance leaflet refers to a form that is required to be completed should anyone wish to lodge a grievance. CLOs are responsible for distributing Russian versions of this leaflet at appropriate locations within the communities in which they work (be it a library or at their offices, or both), and are required to ensure copies are also made available at public meetings related to the Project. A suitably modified version of the leaflet is available in Japanese, and is included in Appendix 4 of the PCDP.

Project can make their grievances known to the Company for consideration and redress. The objective of the Grievance Procedure is to ensure that public grievances are addressed in a timely and effective manner and in accordance with Russian Federation law and international best practice.

This Grievance Procedure has recently been revised in line with changes to the Company's internal reporting procedures in order to improve its effectiveness. The Grievance Procedure is in line with the Company's Statement of General Business Principles. The Company is in the process of rolling out the new procedure in the coming months through training of SEIC and contractor personnel with responsibilities in the Grievance Procedure, and raising the awareness of the existence of the Grievance Procedure in local communities and contractor organisations through distribution of a summary leaflet⁴⁸

The Grievance Procedure forms part of the Company's wider internal reporting mechanisms. Any member of the Community can raise a grievance with Sakhalin Energy if they believe the Company's business practices or development of the Sakhalin II Project is having a detrimental impact on the community, the environment or on their quality of life. Examples of this may include:

- Dissatisfaction with the Resettlement and Compensation Claims Process;
- Dangers to Health & Safety or the environment;
- Failure to comply with standards or legal obligations;
- Negative impacts on the community;
- Financial malpractice or impropriety or fraud;
- Criminal activity;
- Improper conduct or unethical behaviour;
- Harassment of any nature; and
- Attempts to conceal any of these.

All grievances received by Sakhalin Energy are screened by the Sakhalin Energy Compliance Department, led by a Compliance Manager and managed on a daily basis by a Whistle Blowing Focal Point. Once a complaint is received by the Compliance Department or it is notified of a grievance, the grievance is logged within a grievance-tracking tool. The Compliance Department assigns an action party to be responsible for coordinating the resolution of that specific grievance. In the case of public grievances, this will be the Issues Manager, who resides within the External Affairs Department.

The Grievance Procedure has the following five steps:

Step 1: Receive Complaint

- Grievances can be reported in a number of manners including sending a completed Grievance Form to Sakhalin Energy (or leaving a completed form in designated collection boxes), contacting a local CLO, contacting Sakhalin Energy directly by email or phone or reporting concerns on a confidential website. Grievances may be received in Russian, Japanese or English.

48 The Leaflet is attached in Annexure D

- When the Company receives a grievance, the Compliance Department shall log the grievance and assign a responsible party to coordinate the resolution of the grievance. The Issues Manager will be responsible for public grievances.

Step 2: Acknowledgement

- The Issues Manager shall acknowledge grievances by letter within 14 days of having received the grievance. This letter shall include a contact person, a reference indicator and an explanation of the proposed action.

Step 3: Investigation

- The Company shall work to understand the cause of the grievance, and may need to contact the complainant during this time. SEIC shall aim to investigate and resolve the grievance within 28 days from receipt of the grievance.

Step 4: Resolution

- Once the grievance has been investigated, SEIC shall write to the complainant setting out the results of the investigation and the proposed remedial action, should the Company believe any to be necessary.
- If the complainant considers the grievance to be satisfactorily resolved they shall be asked to sign a Statement of Satisfaction.
- If the grievance remains unresolved it shall be reassessed and SEIC shall discuss the next steps with the complainant. The Issues Manager shall maintain contact with the complainant in the determination of what further action should be taken.
- The Issues Manager will report the status of grievances monthly to the Compliance Manager.

Step 5: Follow Up

- If the complainant agrees, Sakhalin Energy may contact them at a later stage to ensure that the Company's activities continue to pose no further problems.

All grievances shall be monitored by the Compliance Department through the Compliance Department's tracking tool. For unresolved grievances, the Compliance Department will be responsible for ensuring that a plan is developed and internally approved by senior management (and if appropriate discussed with the claimant) as soon as reasonably practicable. The plan's objective will be to bring unresolved grievances to a swift and fair resolution.

All unresolved grievances shall be reported in the monthly reports to Lenders during the construction period. In addition, in quarterly reports to Senior Lenders during the construction phase, SEIC shall provide a summary of material grievances received in that quarter. During the operational phase this shall be provided six-monthly. SEIC shall report publicly in its Annual Report the aggregate number of public grievances received, and the number resolved within 28 days.

9 MONITORING AND EVALUATION

Periodic monitoring of the effectiveness of resettlement measures is a requirement of World Bank OD 4.30. Objectives for resettlement monitoring of the Sakhalin II Phase 2 Project are as follows:

- To monitor that actions described in the RAP are completed in a timely and efficient manner;
- To confirm that eligible PAP receive their compensation entitlements in full and within agreed timeframes;
- To monitor that completed actions are effective in enhancing or restoring affected peoples' living standards and income levels;
- To check that any grievances expressed by PAP are followed through and that, where necessary, appropriate corrective action is implemented; and
- To identify whether any changes in land acquisition and resettlement procedures are necessary to improve Project resettlement performance.

This Section describes the role and purpose of monitoring, as an integral part of the resettlement and rehabilitation process. A framework for the monitoring of the RAP is outlined, which includes both internal and external monitoring arrangements and their linkages. Roles and responsibilities are given alongside the monitoring schedule. A list of performance indicators to be monitored is presented along with monitoring frequency, duration and responsibility, in tabular form at the end of the Section.

SEIC's SPT and CLOs have primary responsibility for resettlement monitoring. Both groups' members will be provided with training in basic resettlement monitoring techniques. In addition, SEIC will also engage a suitably qualified and experienced third party resettlement specialist to undertake periodic audit of the resettlement programme⁴⁹.

9.1 RAP MONITORING FRAMEWORK

The framework proposes both Internal and External monitoring. The internal monitoring processes will include monitoring by CLOs as well as by the SPT within SEIC. The external monitoring will be undertaken by an independent third party (Resettlement Specialist), supported by the SEIC. The framework ensures coordination between all three tiers of the monitoring process. This framework is designed to tie up with the over all organisational and implementation arrangements of the RAP⁵⁰.

The three tiers of the monitoring framework for the Sakhalin II Project are:

- Field Level Monitoring through CLOs, posted along the pipeline route and in the vicinity of major facility sites⁵¹.
- Internal Monitoring undertaken by SEIC's SPT. To conduct internal monitoring, personnel (including the CLOs) to be involved will be trained by the Supplemental

49 A list of resettlement monitoring indicators for the Sakhalin Phase 2 Project is included in Table 9-02.

50 See Section 7 on organisational arrangements for RAP

51 In 2003 CLOs were introduced to the SEIC Compensation and Supplemental Assistance Programme and during regular CLO sessions in Yuzhno they are updated on progress related to Supplemental Assistance and compensation activity

Assistance Programme Coordinator using, among other tools, the Monitoring Handbook prepared by the SPT.

- External monitoring by a third party independent resettlement specialist supported by SEIC

These arrangements are discussed in greater detail in the sub-sections below.

9.1.1 CLO Monitoring

CLOs are responsible for day-to-day interactions with communities on social issues. They are the 'eyes and ears' of the Project with respect to social, land acquisition and resettlement issues in communities along the pipeline route and adjacent to Project facilities. They are also directly involved in community preparation, addressing local issues relevant to the Project, facilitating responses to claims and grievances and in implementation of resettlement activities⁵². CLOs will perform monitoring based on the SEIC Handbook. This will be completed monthly.

9.1.2 Internal RAP Monitoring Activities

SEIC's SPT includes six full time staff consisting of local personnel. All personnel are university graduates. The SPT can also draw on the resources of SEIC's Land and Approvals Teams, and maintains close contact with the 15 field-based CLOs who are dispersed along the pipeline route and in the vicinity of the major Project facilities.

Internal monitoring focuses on measuring and reporting on progress with implementing RAP activities. Internal monitoring will be conducted on a semi-annual basis for a period of 36 months following the completion of the last construction phase. Monitoring tasks to be undertaken by the SPT and CLOs include the following:

- Liaison with each other, Approvals Team, construction contractor and Project affected communities to review and report on progress with land acquisition, compensation and resettlement;
- Verification through interviews with a cross- section of Project affected households (including households from each of the vulnerable groups) and enterprises that land and compensation entitlements are being delivered without deductions and in accordance with agreements;
- Verification that measures to restore and enhance living standards and livelihood are being implemented;
- Identification of any problems, unresolved issues or cases of hardship resulting from land acquisition or resettlement;
- Verification with commercial fishing interests that they have received adequate notification of changes to navigation;
- Review claims and grievance records and check that grievance logs are being correctly completed and maintained;
- Select a random sample of grievances and follow up with the complainants that appropriate corrective actions have been taken and that outcomes are satisfactory;

⁵² More information about CLO network is given in PCDP Section 8 and Appendix 2, which is available on Company website and annually updated

- Review reports on incidents connected with land acquisition, compensation and resettlement issues and follow up with the complainants that appropriate corrective actions have been taken and that outcomes are satisfactory;
- Through interviews with community leaders, key informants and households, assess PAP level of satisfaction with resettlement outcomes and land restoration;
- Conducting annual replicate household income and expenditure surveys (same households, same survey instrument) to provide an indication of household livelihood restoration;
- Preparation of brief six- monthly progress and compliance reports for Sakhalin management team and the External RAP Monitor; and
- Development of recommendations on necessary changes of mitigation and monitoring measures to comply with OD 4.30 and improve the resettlement and supplemental assistance process.

9.1.3 External RAP Monitoring Activities

SEIC will engage an independent external resettlement specialist to undertake semi-annual (semi-annual) audits of Project related resettlement activities and will continue for 36 months following the completion of pipeline construction or until such time as the specialist has determined that the affected peoples living standards and income levels have been fully restored, which ever occurs earliest. The purpose of the external monitoring audit is:

- To assess overall compliance with the RAP and World Bank OD 4.30;
- To verify that measures to restore or enhance the standard of living and livelihood of PAP 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;
- To recommend any corrective actions necessary to achieve compliance with the RAP and OD 4.30, or to improve RAP implementation.

Activities to be undertaken by the resettlement expert as part of external monitoring, include the following:

- Review of the internal monitoring procedures, reporting, and grievance recording to check these activities are being adequately performed;
- Review of internal monitoring records and progress reports as a basis for identifying any areas of non-compliance, any recurrent problems, or particular groups who may be experiencing difficulties as a result of the land acquisition or resettlement process;
- Review of grievance logs (SEIC and Contractors') for evidence of recurrent problems, areas of non-compliance, or poor performance in resettlement implementation;
- Hold discussions with Sakhalin Project and contractor personnel involved in land acquisition, resettlement, compensation payment, resettlement implementation and livelihood restoration to review progress and identify any problem areas;
- Meet with a cross-section of local government officers, community leaders and representatives, PAP and vulnerable households to assess the effectiveness of the Project resettlement programme including consultation activities, information dissemination, grievance management, benefits sharing and effectiveness of living standard and income restoration measures;

- Hold discussions with the Nogliki Administration to understand the use of compensation money paid by the Project to the administration for the benefit of the reindeer herders;
- Through consultation with Project personnel, community leaders and representatives and civil society groups, comment on any corruption or other extortionate activities that may be occurring as a result of compensation payments; and
- Prepare a report for SEIC Management and the Lenders on Project compliance with the RAP and OD 4.30, recommending any necessary corrective actions and identifying areas of residual social risk.

This third party audit report will be publicly disclosed in the Project website.

A framework listing indicative resettlement performance indicators for monitoring purposes is provided in Table 9-02.

9.2 RAP MONITORING SCHEDULE AND REPORTING

Internal and external resettlement monitoring will be repeated on a semi-annual basis thereafter. Internal monitoring of five families that were resettled from LNG/Oil Export Terminal site was initiated in November 2003⁵³. Resettlement monitoring (internal and external) will continue until 36 months after the last construction phase is completed.

RAP monitoring reports will be prepared in accordance with the schedule given below.

Table 9-01: RAP Monitoring Reports

Report Type	Frequency	Prepared by	For	Description
Internal RAP Monitoring Report	Semi-annually	SEIC SPT	SEIC Management Team & Lenders & External Monitor	8-10 page report & supporting documentation, summarizing progress against RAP; any social issues arising; grievance and incidents status & outcomes of any consultation activities.
External RAP Monitoring Report	Semi-annually	Independent External RAP Specialist	SEIC Board & Lenders	20-25 page report summarising overall compliance with the RAP & OD 4.30; any non-compliances & related corrective actions; assessment of progress towards completing livelihood restoration; and, comment on any related social risks or concerns.

9.3 RAP MONITORING PERFORMANCE INDICATORS

The description of performance indicators for monitoring RAP implementation is presented in the following table.

Table 9-02: RAP Monitoring Performance Indicators

Monitoring Indicator	Measures	Monitoring Frequency*	Duration	Monitoring Responsibility
Performance against RAP	Are resettlement implementation activities being implemented in accordance with the RAP schedule?	Semi-annually	From start of land	SEIC SPT, with Approvals Team

⁵³ See Section 5.1.1.2 for the key findings.

Monitoring Indicator	Measures	Monitoring Frequency*	Duration	Monitoring Responsibility
	Have affected households been informed about land acquisition, resettlement & compensation procedures? Have affected households been fully informed about their compensation entitlements & legal rights? How many agreements have been negotiated/ signed/ compensation paid (% of total)? What is progress with compensation payments to private landowners (% complete)? What is progress with compensation payments to leaseholders (% complete)? What is progress with compensation payments for municipal land (% complete)? What is the progress of compensation to the Nogliki administration, paid to assist Reindeer Herders. What information & consultations activities have taken place? Is a log of activities being maintained? Are RAP monitoring reports being prepared?		acquisition & resettlement until 36 months following construction completion	& CLOs Independent External Monitor
Restoration of Living Standards	Were compensation payments made before Project occupation of land? Were compensation payments received free of deductions, fees or other transaction costs? Was compensation in line with agreed rates & on-time? Was compensation passed onto third party users such as tenants & short-term lessees? Were other entitlements delivered? How many people are affected by socio-economic displacement due to Project related impacts such as dust, noise and infrastructure degradation? Have affected households received replacement land & housing? Is replacement land & housing of equivalent size & quality to original housing? Have households received ownership & registration certificates for replacement land & housing? Have the losses of informal & un-registered users been adequately compensated? Have the Uilta herders been compensated or received other assistance for losses? Have special needs of vulnerable groups been addressed? Have any additional informal users been identified during land acquisition activities? Has damage to utilities & infrastructure been made good?	Semi-annually	From start of land acquisition & resettlement until 36 months following construction completion	SEIC SPT, with Approvals Team & CLOs Independent External Monitor

Monitoring Indicator	Measures	Monitoring Frequency*	Duration	Monitoring Responsibility
	Have individuals, enterprises & municipalities been compensated for disruption of services?			
Restoration of Income & Livelihood	Have affected landowners / users received compensation for net losses/ lost profits?	Semi-annually	From start of land acquisition & resettlement until 36 months following construction completion	SEIC SPT, with Approvals Team & CLOs Independent External Monitor
	Have affected enterprises received entitlements including payments for net losses from lost custom or downtime?			
	Are there any types of income losses being reported by landowner/ users or enterprises that have not been compensated?			
	Was sufficient replacement land available for resettlers (where applicable)? Have inputs to improve land condition been provided where necessary?			
	Are affected owners/users satisfied with land restoration?			
	How many skilled & unskilled PAP have been engaged in the construction/ operations workforce?			
	What other livelihood restoration initiatives has the Project implemented for PAP?			
	What livelihood restoration initiatives have been implemented specifically targeting vulnerable groups?			
	To what extent have pre-Project activities been resumed within the pipeline corridor?			
	What yields are being achieved?			
	To what extent have trees & other perennial crops been replanted?			
	What changes have occurred in the cost of living of affected people?			
	Have income changes kept pace with cost of living?			
	What changes have occurred in income & expenditure patterns compared to the pre-Project situation?			
	Are livelihood restoration measures proving effective?			
	Are any additional supporting measures required?			
Levels of PAP satisfaction	<p>How do PAPs assess the extent to which their quality of life & livelihood has been restored?</p> <p>Are they happy with the compensation and resettlement procedures?</p> <p>Do they feel they have been actively involved in the process?</p>	Semi-annually	From start of land acquisition & resettlement until 36 months following construction completion	SEIC SPT, Independent External Monitor

Monitoring Indicator	Measures	Monitoring Frequency*	Duration	Monitoring Responsibility
Host Community Issues	<p>Are there any host community issues and concerns regarding the resettlement.</p> <p>Are host community meetings held regularly?</p> <p>Does host community have regular access to CLOs?</p>	Semi-annually	From start of land acquisition & resettlement until 36 months following construction completion	SEIC SPT, Independent External Monitor
Consultation & Grievances	<p>Has a grievance log been established? Are grievances, corrective actions & outcomes being fully recorded?</p> <p>How many grievances are related to the consultation process and information dissemination?</p> <p>Do PAPs understand avenues for expressing a grievance?</p> <p>Are grievances resolved within stipulated time periods?</p> <p>How many people express satisfaction with compensation received?</p> <p>What types of grievances have been identified & what were outcomes?</p> <p>Have grievances been lodged in relation to resettlement, compensation and socio-economic displacement?</p> <p>Are individuals aware of Project activities? Are individuals aware of the Grievance Procedure?</p> <p>Have individuals been adequately warned of potentially disruptive activities?</p>	Semi-annually	From start of land acquisition & resettlement until 36 months following construction completion	SEIC SPT, Independent External Monitor

* These terms may be varied dependent on the stage of resettlement

9.4 SUMMARY OF MONITORING ACTIVITIES TO DATE

Monitoring activities for the LNG/Oil Export Terminal related impacts were initiated in November 2003, and have been ongoing since, every 6 months. To date, 3 monitoring surveys have been undertaken through a combination of interviews and direct observation by the monitoring teams. Monitoring reports were prepared and submitted to the SPT Coordinator and the External Affairs Department for review and actions. Presently the monitoring activities are trying to assess what kind of supplemental assistance the resettled families need to be able to restore their life patterns, incomes and to better access the facilities in the area they have been resettled into (in the LNG case Korsakov). The programme is also assessing if there are any host community issues and concerns.⁵⁴

9.5 MONITORING THROUGH “IMPACT” AND GRIEVANCE TRACKING

The Company is upgrading its action tracking system in 2005 and will introduce a new computerised system. This system is known as IMPACT. IMPACT will be used to

⁵⁴ For more details see SIAA Appendix C - Consultation and Monitoring Activities.

track and address actions in the context of audits and incidents. It will also be a key tool in the management of any identified breaches of HSE or social law and consents, or of the HSESAP identified by or to the Company (whether these are committed by contractors or the Company itself⁵⁵). As set out at Section 8.6, a separate tracking system will be used for tracking grievances under the Grievance Procedure. This tracking system, referred to in the Grievance Procedure as the Compliance Department's grievance tracking tool, will be the responsibility of the Compliance Department. Information deriving from IMPACT and the Compliance Department's grievance tracking will be shared with the Phase 2 Senior Lenders in accordance with the HSESAP.

55 The IMPACT system will be used by the Company to manage any breaches identified by or to the Company (including breaches by contractors) although there is no capability to roll out the system to enable it to be accessed by contractors.

10 COSTS AND BUDGETS

10.1 RAP BUDGET

Project budgets for acquisition of private land and resettlement activities are summarized in the following table. The overall budget for land acquisition, compensation, and resettlement activities is USD 28,290,000.⁵⁶ A break down of the budget is provided at Table 10-01.

10.2 SOURCE OF FUNDS

SEIC will provide all the funds necessary for private land acquisition, compensation and related resettlement activities

10.3 RESPONSIBILITY FOR DISBURSEMENT

SEIC is responsible for disbursement of all compensation funds. Wherever possible, SEIC will follow the principle of “hand-to-hand” payment, directly to entitled PAP or their bank accounts. This reduces the risk of informal deductions by third parties.

⁵⁶ \$US1 = 28.5 Rubles; \$US1 = 0.8 Euros (Exchange Rate October 2005)

Table 10-01: Budget for Private Land Acquisition and Resettlement

Item	Budget (USD)	Comment	Timing	Source of Funds	Channel of Disbursement
A. Compensation under Russian Legislation					
Compensation (Monetary & in-kind) for LNG Plant/ Oil Export Terminal resettlement	675,000	Includes compensation payable under RF legislation	Completed as of April 2005		
Compensation (Monetary & in-kind) for pipelines land acquisition & resettlement**	1) 1,380,000 2) 1,640,000	Includes compensation payable under RF legislation, cost of replacement land & structures (where required)	1) Paid in 2003-2004 2) Planned for 2005	Operator	Operator's Land Team
Compensation for commercial fishing enterprises*	1) 1,480,000 2) 11,000,000		1) Completed in Nov-03 2) not completed yet	Operator	
Compensation/ assistance for reindeer herders	36,000	Covers assistance measures to offset pasture losses	Completed in Aug, Sep-04	Operator	
Funding towards Korsakov Park reconstruction	800,000	Agreed funding for Korsakov Park reconstruction		Operator	Operator
Cost of reinstatement of roads and community infrastructure	Included in Construction Contract Sums	Covers reinstatement of roads, bridges and other community infrastructure affected by Project Construction activities	Construction	Operator	Construction Contractor
B. Supplemental Assistance					
Supplemental Assistance (Monetary & in-kind) for LNG Plant/ Oil Export Terminal resettlement	115,000	Cost of replacement land & structures, & Supplemental Assistance	Completed as of April 2005	Operator	
Supplemental Assistance (Monetary & in-kind) for pipelines land acquisition & resettlement**	210,000	Supplemental Assistance to individual land users of potatoes gardens and hayfields	2005 - 2006	Operator	
Compensation/ assistance for loss of use of communal resources (berry fields, mushrooms, etc)	100,000	Includes costs of providing transport to alternative resources, and other modes of assistance, where required.	2005 - 2006	Operator	
Compensation / Assistances for socio-economic replacement	350,000	Includes costs of providing compensation / assistance for any socio-economic replacements as a result of Project impacts (not related to land acquisition)	2006 - 2008	Operator	
C. Land Transfer and Notarisation Costs					
Land transfer & notarisation costs	9,300,000	Costs of survey, notarisation & legal fees, titles registration, real estate fees		Operator	
D. Monitoring and Reporting					
RAP monitoring	210 000	Covers costs of third party Costs of reviews and related expenses incorporated into SEIC's Social Integration Team annual operating budget.		Operator	
Surveys of small scale and native fishing enterprises and ancillary industries	150,000	Covers the cost of CLO surveys conducted on an informal basis and surveys to be carried out by a third party agency		Operator	
E. RAP Preparation, Administration and Management ¹					
Costs of salaries, offices, administrative costs, transportation & training	Administration and management services for RAP implementation and associated staff costs are included in SEIC's overall Construction and Operations budgets.			Operator	
F. Contingency					
5 % of Items A-C	1,350,000				
Grand Total	28.440.000				

* Excludes compensation that may be payable to commercial fishing interests for exclusion and safety protection areas around PA-B and LUN-A offshore platforms and associated sub-sea pipelines.

** Excludes compensation and costs that may be payable for any additional rights to land required for pipeline operations. Includes costs of providing supplemental assistance to temporary and permanent workers and vulnerable groups

11 SCHEDULE FOR IMPLEMENTATION

A schedule of the principal activities associated with land acquisition and RAP planning is illustrated in Figure 11-01

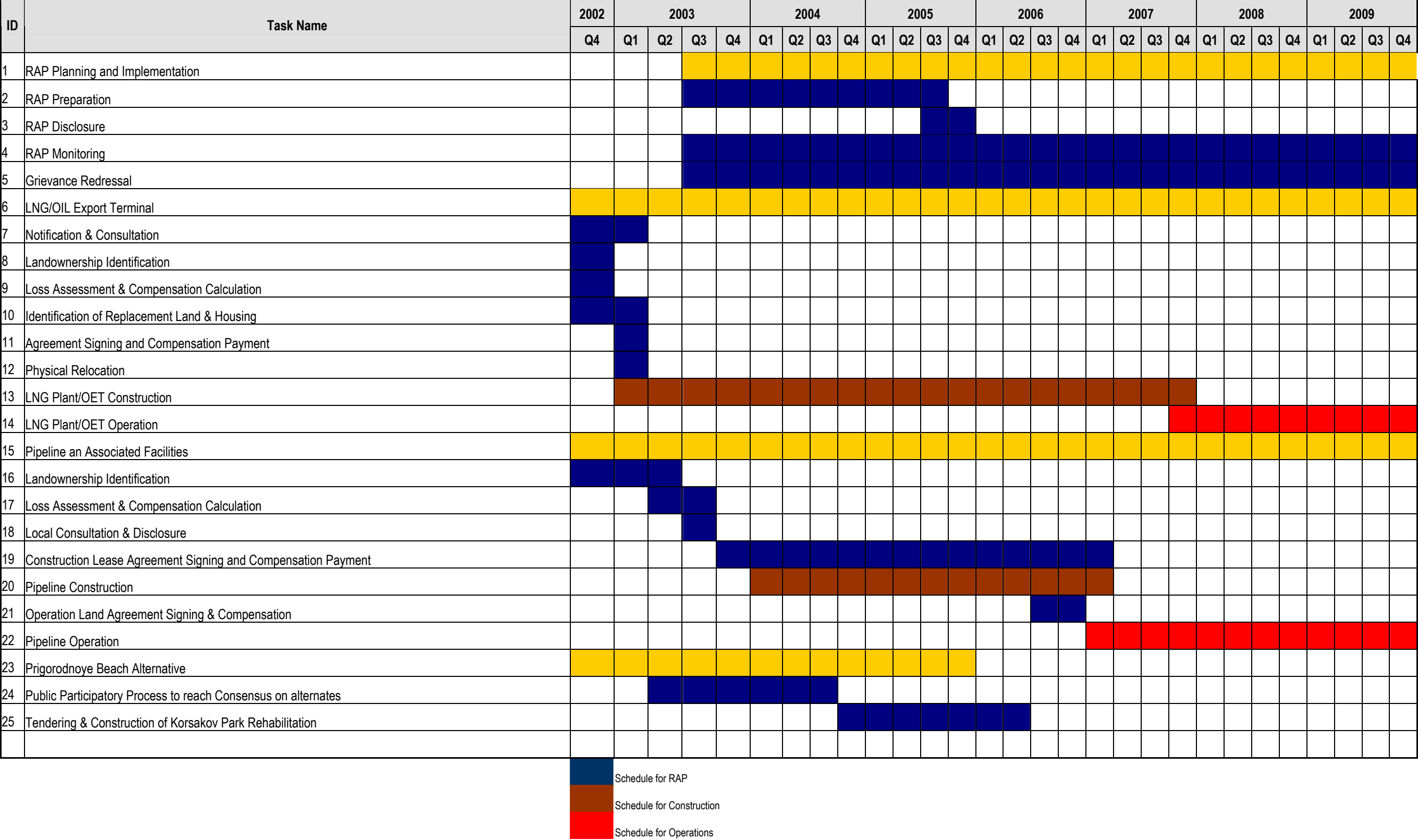


Figure 11-01: RAP Schedule

12 REFERENCES

12.1 LEGISLATIVE FRAMEWORK

Constitution of the Russian Federation, adopted by nation-wide vote on December 12, 1993 (with amendments entered by RF President Decrees dated January 9, 1996 (#20), February 10, 1996 (#173) and June 2001 (#679)). Rossiyskaya Gazeta #237, 1993.

Civil Code of the Russian Federation (Part One) dated January 26, 1994 #14-FZ (enacted by State Duma of the Russian Federation in October 21, 1994), edited in March 21, 2002. Consolidated Laws of RF #32, 1994.

Civil Code of the Russian Federation (Part Two) dated January 26, 1996 #14-FZ (enacted by State Duma of the Russian Federation in December 22, 1995), edited December 17, 1999. Consolidated Laws of RF #32, 1994.

Forest Code of the Russian Federation dated January 29, 1997 #22-FZ

Land Code of the Russian Federation dated June 9, 2001 #136-FZ (enacted by State Duma of the Russian Federation in September 28, 2001). Consolidated Laws of RF #44, 2001.

Arbitration Procedures Code dated July 24, 2002 #95-FZ

Civil Procedures Code dated November 14, 2002 #138-FZ

Federal Law 'On Production Sharing Agreements' #225-FZ of December 30, 1995 (edited May 18, 2001), enacted by State Duma of the Russian Federation in May 12, 1995.

Federal Law 'On the State Registration of the Rights to Real Estate and Real Estate Transactions' of July 21, 1997 #122-FZ.

Federal Law 'On Guarantees of the Rights of Indigenous Small-Numbered Peoples of the Russian Federation' of April 30, 1999 #82-FZ.

Federal Law 'On the General Principles of Organising Communities of Indigenous Small-Numbered People of the Northern Parts of Russia, Siberia and the Far East of Russia' #104-FZ of July 20, 2000.

Federal Law 'On the Territories of the Traditional Use of Nature by Indigenous Small-Numbered People of the Northern Parts of Russia, Siberia and the Far East of Russia' #49-FZ of May 7, 2001.

Federal Law 'On Land Use Planning and Control' #78-FZ of June 18, 2001.

Federal Law 'On Delineation of State Ownership of Land' of July 17, 2001 #101-FZ

Federal Law of the Introduction to the Land Code of October 25, 2001 #137-FZ - statutory wording * December 2003.

Federal Law 'On Environmental Protection' of January 10, 2002. #7-FZ.

Federal Law 'On Agricultural Lands Turnover' of July 24, 2002 (enacted by State Duma of the Russian Federation in May 26, 2002).

The Concept of the State National Politics within the Russian Federation approved by the Presidential Decree #909 of June 15, 1996.

Council of Ministers (Government) of the Russian Federation #77 of January 28, 1993 on Endorsing the Regulations for the Redemption of Losses to Land Proprietors, Landowners, Land-users, Tenants and Losses in Agriculture which describes compensation for agriculture and investments in the land.

The enactment of the RF Government #255 of March 24, 2000 'On the Unified Register of Indigenous Small-Numbered People' (amended as of March 28, 2001).

Rules of Protection of Gas Distribution Networks (approved by the Decree of the RF Government on November 20, 2001 #878).

Federal Programme 'Economic and Social Development of the Indigenous Peoples of the North up to the year 2000'.

Sanitary-Epidemiological Rules and Regulations 'Sanitary Protection Zones and Sanitary Classification of Enterprises, Structures and Other Objects'. SanPiN 2.2.1/2.1.11031-01 (adopted by the Chief State Sanitary Inspector of the Russian Federation on May 17, 2001).

Regulations on Trunk Pipelines Safeguarding #9 (adopted by the RF Ministry of Fuel and Energy on April 29, 1992 and by Gosgortekhnadzor on April 22, 1992).

Rules of Protection of Trunk Pipelines (edition of RF Gosgortekhnadzor of November 23, 1994 #61).

Decree of the Government of the Russian Federation of January 28, 1993 #77.

Decree of the Government of the Russian Federation May 7, 2003 #262.

Executive Order of the Government of the Russian Federation of June 15, 1994 # 908-r.

The Order Of Goskomecology Of The Russian Federation of May 16, 2000 # 372 " About The Statement Of Position About The Estimation Of Influence Of Planned Economic And Other Activity On The Environment In The Russian Federation " (It was registered In Ministry Of Justice Of The Russian Federation on 4 July 2000 # 2302).

Agreement No. 2 between the Russian Federation Government & Sakhalin Oblast 'On division of powers in respect of the possession, use & disposal of land on the territory of Sakhalin Oblast' (29 May 1996).

'Temporary Regulations on Indigenous Communities, Community and Family Businesses of Indigenous Small-Numbered People of the Sakhalin Region' approved by Enactment #18/140 of the Sakhalin Region Duma of January 9, 1996.

The Law of Sakhalin Region 'On Extra-Budgetary Fund of Sakhalin Region' #20 of February 2, 1996 (enacted by the Sakhalin Regional Duma July 5, 1999), edited of May 25, 2000, edited of July 9, 2001.

The Law of Sakhalin Region 'On Approval of the Budget Estimate of the Extra-Budget Fund of the Sakhalin Region for 1999' #123 of July 10, 1999 (enacted by the Sakhalin Regional Duma on July 5, 1999), edited of May 25, 2000.

The Law of Sakhalin Region 'On Approval of the Budget Estimate of the Extra-Budget Fund of the Sakhalin Region for the year 2000' # 186 of May 25, 2000 (enacted by the Sakhalin Regional Duma on May 18, 2000), edited of December 14, 2000.

The Law of Sakhalin Region 'On Regional Program 'Economic and Social Development of Indigenous Small-Numbered People of the North in 2001–2004' #300 of December 10, 2001.

Decree of the Sakhalin Region Governor 'On Regulations of Hunting Activities in Sakhalin Region' #324 of July 17, 1997.

Decree of the Sakhalin Region Governor 'On Introducing Alterations and Amendments into Regulations of Hunting Activities in Sakhalin Region' #42 of January 30, 1998.

Enactment of the Sakhalin Region Governor # 99 of March 2, 2001 'On Support of Traditional Way of Life and Development of Traditional Business of Indigenous Small-Numbered People of the North'.

On Approval of the Complex Action Plan on Arrangement of the International Decade of Indigenous Peoples in 1997–2004 in Sakhalin Region.

'Temporary Regulations on Indigenous Communities, Community and Family Businesses of Indigenous Small-Numbered People of the Sakhalin Region' #18/140 of January 9, 1996.

World Bank Operational Directive 4.30 "Involuntary Resettlement".

World Bank Operational Directive 4.20 "Indigenous Peoples".

12.2 INTERVIEWS

12.2.1 Public Interviews

Oblast Agriculture Department

12.2.2 Interview with Affected Land Users

Supplemental Assistance Questionnaire

12.3 INTERNET RESOURCES

http://www.caspiandevlopmentandexport.com/ASP/dd_ACG_Detail.asp?PID=9655&LegendOR=True&NotesOR=True

http://www.caspiandevlopmentandexport.com/ASP/dd_BTC_Detail.asp?PID=9973

<http://www.caspiandevlopmentandexport.com/ASP/Home.asp>

<http://www.caspiandevlopmentandexport.com/ASP/LatestNews.asp>

http://www.caspiandevlopmentandexport.com/ASP/PD_DisclosureDocuments.asp

<http://www.cenn.org/books.html>

http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1995/11/01/000009265_3961019172609/Rendered/PDF/multi0page.pdf

http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/1996/03/01/000009265_3980728143956/Rendered/PDF/multi_page.pdf

http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2001/02/17/000094946_01013105504474/Rendered/PDF/multi_page.pdf

http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2002/09/13/000094946_02090404022144/Rendered/PDF/multi0page.pdf

<http://lnweb18.worldbank.org/ESSD/sdvext.nsf/65ByDocName/FAQs>

http://www-wds.worldbank.org/servlet/WDS_IBank_Servlet?type=AllWords&all=%22Resettlement+Action+Plans%22&pctype=sSrch&pcont=results&sortby=D&sortcat=D&x=11&y=11

<http://lnweb18.worldbank.org/ESSD/sdvext.nsf/65ByDocName/KeyDocumentsPublicationsView>

<http://jurant.iea.ras.ru/publ/custlaw2002/05-3.htm>

<http://lnweb18.worldbank.org/ECA/Rus.nsf/ECADocByUnid/366FF7322C2E9B9D85256CBE007F02E0?Opendocument>

<http://www.worldbank.org/wbi/ibtsp/index.htm>

12.4 MONOGRAPHS

International Finance Corporation (IFC) 'Handbook for Preparing a Resettlement Action Plan'

International Finance Corporation Good Practice Manual 'Doing Better Business through Effective Public Consultation and Disclosure'

Semenschikov A. A., Komov N. V., Rodin A. Z., Spiridonov F. V., Cherniavsky V. G. 'Land Allocation for Construction of Objects of Oil and Gas Complex, Industry, Transport, Communication and Power Lines (Practical Guide for Land-Utilization Documentation Development)'. Moscow, Uni-Press, 2001.

Stroev E. S., Volkov S. N. 'Land Issue in Russia at the Beginning of XXI Century (Problems and Solutions)'. Moscow, GUZ, 2001.

T. Roon 'The Uilta of the Sakhalin Island: Current Economic Development Issues'. Proceedings of the 13th International Abashiri Symposium. Abashiri, 1999.

V.V. Klochkov, Law and Religion: From State Religion to Liberty of Conscience in the USSR. Moscow, Politizdat, 1982.

Weinreich, Nedra Kline. Hands-on Social Marketing: a Step-by-Step. London, SAGE Publications, Inc.

12.5 STATISTICS

Report on Social and Economic Status of Sakhalin Region in January–December 2003. Yuzhno-Sakhalinsk: Sakhalin Regional Committee of State Statistics, 2004.

Report on Social and Economic Status of Sakhalin Region in January–December 2004. Yuzhno-Sakhalinsk: Sakhalin Regional Committee of State Statistics, 2005.

ANNEXURE A: NOTE ON COMMERCIAL FISHERY

12.6 OVERVIEW ON COMMERCIAL FISHERY

The offshore installations that will be constructed as part of the Sakhalin II Phase 2 Project have the potential to interact with the commercial fishing activities. The main geographical areas of interaction are:

- The north-east coast of Sakhalin in the vicinity of the PA-B and LUN-A platforms and the associated pipelines and landfalls;
- Aniva Bay in the vicinity of the proposed LNG jetty, OET subsea pipeline and connected TLU.

These two areas are discussed in more detail below. As noted above, complete and reliable information on commercial fisheries activities in Sakhalin Island is limited since the official registration of catches is incomplete and there is insufficient control and reliability regarding the data provided by fishing companies. To help address this gap in knowledge, SEIC has undertaken several assessments of commercial fisheries activities, including a recent study executed by the GU Regional Centre for Coastal Fishing and Fish Finding (2003). This study assessed commercial fishing activities specifically for the areas affected by the project and provides data on fishing activity and catches in Aniva Bay. In addition, during the period 1998-2003, SEIC executed an extensive range of environmental baseline surveys geared at analysing the marine ecological characteristics of north-eastern Sakhalin and Aniva Bay. More information about these surveys see in Section 8, table 8-1, EIAA.

An overview of the findings of these studies is presented in the baseline environmental sections of the EIA (*Volume 2, Chapter 1* for north-eastern Sakhalin and *Volume 5, Chapter 1* for Aniva Bay, respectively).

It is important to highlight the distinction between potential fisheries resources and commercial fisheries activity. This section presents an assessment of commercial fisheries activities in the coastal and marine areas of Sakhalin. In general there are two groups of commercial Sakhalin fishing enterprises, those involved in the complete fish production process including fishing and fish processing and those enterprises only involved in fishing.

Sakhalin Oblast is one of the leaders in the RF far east fishing industry. Most fish products are sold in the Russian mainland or exported. Less than one third is sold on local markets. Fish products are one of the major export items of Sakhalin Oblast. In 2004 19.5% of fish and sea products were exported abroad (valued at US\$ 141.6 million). Please see Figure A-08 for further statistics on the amount of exports and export markets.

It is estimated that, fishing employs up to 40,000 people in season and about 21,000 all the year round.⁵⁷ Studies undertaken for SEIC suggest that there are approximately 654 commercial fishing vessels registered in the Sakhalin Oblast (GU Regional Centre for Coastal Fishing and Fish Finding 2003). Fishing vessels in Sakhalin predominantly use trawl, seine net, long-lines and fixed net fishing methods. Generally, large and medium-size vessels use trawls and medium and small-sized vessels use fixed gear (e.g. fish traps).

⁵⁷ SIA, Section 4.

This section does not attempt to address, in detail, marine ecology or abundance and distribution of commercial fish stocks beyond what is appropriate within the scope of this assessment. An assessment of impacts on fisheries resources was undertaken in the EIA (Volume 2, Chapter 3 and Volume 5, Chapter 3). Where information on the assessment of fisheries resources is relevant to this section a reference to the appropriate EIA section is provided

The offshore installations that will be constructed as part of the Sakhalin II Phase 2 Project have the potential to interact with the commercial fishing activities. The key fishing areas have been identified as:

12.6.1 Commercial fishing in the Piltun-Lunskoye offshore area

12.6.1.1 Fish and Fisheries Activity

An investigation of commercial fishing activities, executed by the GU Regional Centre for Coastal Fishing and Fish Finding (2003) concluded that fishery intensity in both the Piltun and Lunskoye areas is low. What fishing activity there is, consists of small-scale fisheries for:

- Great (starry) flounder (*Platichthys stellatus*) (July to September) with a maximum permissible annual catch limited to 160t for the north-eastern region as a whole;
- Coastal and lagoon fishing for salmon (August to September);
- Herring (*Clupea pallasii*) (July);
- Navaga (saffron cod - *Eleginus gracilis*) in winter; and
- Pacific capelin (*Mallotus villosus*) (July).

Of the above species, saffron cod is of most commercial interest in the area. This species spawns in the estuarine waters of the Piltun, Chaivo, Niskiy, Nabil, Lunsky and the Sea of Okhotsk areas. Spawning grounds are located close to the coast, at a depth of two to eight metres. Saffron cod tend to shoal in the coastal zone towards the end of November after the coastal ice appears.

The commercial fishing season starts in December and finishes in March with maximum catches registered in January to February. The fish are caught in the spawning grounds using fyke nets and are also caught by local people through the sea ice. Data (SakhNIRO 2004a) indicate that the waters of Piltun Bay support the highest densities of this species, which is reflected by the fact that approximately 70% of the saffron cod catch is harvested from this area.

Figure 1 illustrates the catch of saffron cod in north-eastern Sakhalin since 1938. This shows that daily catches increased from around 250 tonnes *per annum* (tpa) in the 1970s to around 400tpa by the end of the 1980s due to the commercialisation of fishing. Catches have also fluctuated as a result of ice conditions, which influence the suitability of spawning grounds at the mouths of the lagoons and also determine the navigability of channels and level of fishing activity.

As can be seen from Figure 1, the commercial catch of saffron cod has decreased since 1986, falling from a maximum of 950 tonnes (in 1985) to 40 tonnes in 2004. In analysing the abundance of saffron cod generations from north-eastern Sakhalin, two distinct periods can be distinguished. The first is between 1976-1984, when the mean abundance (of all age classes) constituted 11 million individuals (varying between 8.0 - 15.9 million); the second, from 1985 through to the present time, involves a significant decline in abundance to approximately two million individuals.

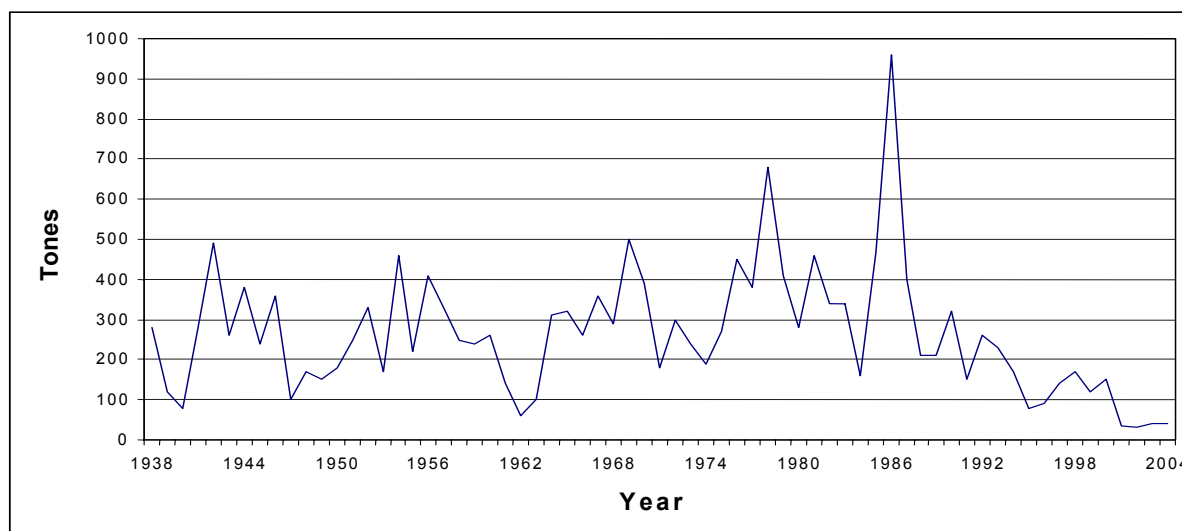


Figure A-01 Catches of Saffron Cod ('000 tonnes) in the North-eastern Sakhalin Bays from 1938 to 2004

The value of the commercial stock has fluctuated in line with changes in recorded biomass. The maximum commercial stock was in 1985 (1.8 thousand tonnes), while much lower stocks were recorded 1993, 1994, 2000 and 2001 with values ranging from 0.3 to 0.47 thousand tonnes. The significant recorded decrease in commercial catch in this species has been blamed on overfishing during the 1970-1980s. It is also considered that the low levels of reported catch in the 1990s and up to the present day do not reflect the actual tonnage being landed. SakhNIRO (2004a) considers that the present population of saffron cod in the Piltun area is stable, albeit at historically low levels when compared with the population levels of the pre-1990s.

12.6.1.2 Commercial Shellfish Interests of North-east Sakhalin

As discussed above, commercial exploitation of the fish resources of the coastal and continental slope waters of eastern and north-eastern Sakhalin is relatively limited. This situation also applies to shellfish in the area, the stocks of which are comparatively poorly studied. Some information on the distribution of key commercial species is available from trawl surveys undertaken by SakhNIRO, the results of which are briefly summarised below (SakhNIRO 2001a).

The extensive trawl sampling programme undertaken by SakhNIRO clearly demonstrates that a number of crab and shrimp species are present in commercial quantities off the north-east coast of Sakhalin, including blue king crab, snow opilio and pink, bear cub and sculptured shrimps. According to SakhNIRO (2001a) several of these species, but notably spiny lebbeid and deep-water *pandalopsis* (*Pandalopsis ochotensis*), have become of interest to commercial fisherman and stocks are beginning to be exploited. However, no information on the scale of this fishery is presently available. The distribution and characteristics of stocks of a number of species are briefly highlighted in Section 8.3.2, EIAA.

12.6.2 Commercial fishing interests in Aniva Bay

12.6.2.1 Fish and Fisheries Activity

Aniva Bay is considered to be one of the most biologically productive areas in the Sakhalin coastal region. A full description of potential fish resources is provided in the international-style EIA (*Volume 5, Chapter 1, 2003*).

This productivity, particularly that of humpback salmon (*Oncorhynchus gorbuscha*), is reflected by the presence of numerous fishing and processing enterprises in the

Korsakov district, relatively close to the proposed Liquid Natural Gas (LNG), Oil Export Terminal (OET) and Tanker Loading Unit (TLU) facilities. As a result, the biological resources of the immediately adjoining coastal area are actively exploited. Large enterprises such as Kirov's Collective farm (Ozersky), Persey (Korsakov) and Tunaycha have, between them, a powerful processing base, which fully exploits the available (allocated) fisheries resources, even if these works have a low profitability.

A recent study on commercial fishing activities undertaken by the Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources on Sakhalin (2003) concluded that Aniva Bay contains a number of commercially important species, of which the most important is the humpback salmon (*Oncorhynchus gorbuscha*). The life cycle of this species results in greater populations returning to natal rivers during odd years and smaller populations in even years. Hence quotas and catches vary in line with these population fluctuations, as shown in Table 1.

Table A-01: Catch data (tonnes) for humpback salmon in Aniva Bay 1999-2003

Year	Quota (tonnes)	Produced (tonnes)	Number of fishing companies
1999	4,952	16,042	43
2000	992	1,669	34
2001	23,440	33,963	54
2002	3,909	748	32
2003	7,074	21,327	39

Catches over the 1992-2001 period, taking into account the variation between odd and even years, averaged 12, 250tpa. It is estimated that commercial fisheries have accounted for approximately 50% of the humpback population and therefore total resources of this species in Aniva Bay over the past few years are estimated at approximately 25,000t (again averaged between odd and even years). The local humpback population in Aniva Bay is maintained at this level mainly through artificial reproduction at breeding farms situated at several rivers (Lyutoga, Taranay and Ostrovka) flowing into the bay. Chum and cherry salmon (*Oncorhynchus keta* and *O. masou masou*, respectively) are also fished on a smaller scale with average annual yields of 10t to 15t for the latter species caught in Aniva Bay.

The most sensitive period for salmon in coastal waters is linked to their migration, which occurs during spring and summer periods. Peak sensitivity for salmon in Aniva Bay is between May and September.

Other commercially harvested species are shown in Table A-02.

Table A-02: Main Commercial Species Harvested in the Aniva Bay Area with recommended catches in 2004)

Species (Common Name)	Latin Name	Allowable Catch (tonnes/year)
Ja 120 panese smelt	<i>Hypomesus japonicus</i> and <i>Hypomesus nipponensis</i>	641
Redfin	<i>Tribolodon hakonensis</i> and <i>T. brandty</i>	1,011
East Siberian Char	<i>Salvelinus leucomaenis leucomaenis</i>	826
Capelin	<i>Mallotus villosus</i>	172

Other species that are also harvested but are of less commercial importance include: rainbow smelt *Osmerus mordax dentex*, salmon trout *Salmo trutta trutta*, saffron cod (navaga) *Eleginus gracilis*, Gilbert's Irish lord *Hemilepidotus gilberti*, shorthorn sculpin *Myoxocephalus scorpius* and capelin *Mallotus villosus*

12.6.2.2 Shellfish and Non-fish Resources

Information on shellfish resources, stocks and catch levels is available from a number of specific studies as outlined in Table 8.1. The majority of this data concentrates on the bioresources of Aniva Bay rather than specifics of commercial activity. The study by the Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources on Sakhalin (2003) mentions several shellfish and algal species that are commercially harvested in the Bay (see Table 8.4).

Table A-03: Main Commercial Shellfish and Non-fish Species Harvested in the Aniva Bay Area

Species (Common Name)	Latin Name	Allowable Catch (tonnes/year)
Japanese common scallop	<i>Mizuhopecten yessoensis</i>	400
Japanese laminaria	<i>Laminaria japonica</i>	2,770
Short spined sea urchin	<i>Strongylocentrotus intermedius</i>	59

Trawl surveys in the nearshore and offshore areas of Aniva Bay (e.g. SakhNIRO 2001a and 2004b) have also provided information on the presence of commercial stocks of other shellfish species, notably crustaceans. The information indicates that there are stocks of snow crab (*Opilio*) and red king crab (*Paralithoides camtschatica*) present within the Bay although the level of exploitation of these resources is unknown. Snow crab appears to be widely distributed in Aniva Bay although it occurs mainly in the south-eastern part of the region. In trawls undertaken by SakhNIRO (2001) juvenile (non-commercially viable) snow crab males and females occurred in approximately 40% of the trawls undertaken, forming the main bulk of shellfish catch by number and frequency.

Red king crabs were observed in trawl surveys around the Aniva Peninsula area and within the central part of the Bay, as shown in Figure 8.5 (SakhNIRO 2001a). This species also occurs regularly and in commercial quantities in the nearshore coastal zone (SakhNIRO 2004b).

12.7 POTENTIAL IMPACTS

12.7.1 Ecological impacts

12.7.2 The potential fisheries resources for the north-east coastal area of Sakhalin have been examined during the field studies referenced in Table 8.1. The level of fishing effort in the north-east coast of Sakhalin in the vicinity of the SEIC offshore installations is limited. A small amount of commercial fishing occurs within Nabilsky lagoon and in the adjacent nearshore zone (for shrimps), otherwise fishing is undertaken mainly for local consumption. Essentially there are three main zones:

A nearshore and shallow water (lagoons) zone with some potential for limited salmon fishing activities but with no port infrastructure to develop the fishery;

Mid-water depth (30-100m) zone with a dynamic sediment regime that does not support large fish stocks;

A deepwater (>100m) zone supporting a potentially valuable shellfish community (e.g. crab and whelk).

The potential impacts to commercial fishing activities in the vicinity of the platforms and the associated pipelines during the construction phase include:

- Direct interference with fishing activity e.g., presence of increased number of vessels associated with construction;
- Imposition of exclusion zones around the platforms;
- Loss of fishing equipment (e.g. nets, lines, fixed gear);
- Disturbance or damage to marine habitats and commercial species.

Due to the low level of fishing activity in coastal waters in north-east Sakhalin, potential impacts on fishing activity through direct interference or loss of equipment and implementation of exclusion zones are likely to be minor. Similarly, the potential impacts on marine habitats and commercial fish species e.g., through physical disturbance to habitats or deterioration in water quality, have been assessed in the international style EIA (*Volume 2, Chapter 3*) and are considered to be minor.

The potential impact on commercial fisheries during the operation of the platforms and pipelines is considered to be lower than during the construction phase due to reduced levels of marine activity and seabed disturbance. Impacts will therefore be minor to negligible.

In recognition of the potential importance of Aniva Bay for commercial fisheries and the absence of comprehensive and reliable data on fishing activities, SEIC recently commissioned an additional study in Aniva Bay. This study, executed by the Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin (2003), determined the main commercial species (i.e. fish, shellfish and algae) present in the Bay and estimated potential losses to commercial catches that could result from implementation of the Project.

12.7.3 Socio-economic impacts

The construction and operation of the LNG/Oil Export Terminal in Prigorodnoye has the potential to impact up to three privately operated commercial fishing enterprises. One enterprise (Lenbok) lost land previously used for a fisherman's camp when the LNG/OET plant was being constructed. The two other companies, Calypso and Contract, potentially face some impacts due to an overlap of 3% and 28% respectively of the project impacted area with the agreed fishing water area (see Figure 4-04 of the RAP). All of these enterprises were allocated specific fishing areas within Aniva Bay for which they have agreements with Sakhrbyvod (the local fisheries authority). Further details of these enterprises are set out at Section 4 of the RAP.

According to experts the key source of likely socio-economic impacts will be ecological impacts such as oil spills. Ecological impacts may lead to socio-economic consequences on a local or industry wide basis depending on the level of ecological impact. They can include:

- Reduction or loss of business and incomes
- Reduction or loss of jobs due to reduction or loss of business

These kind of potential impacts indirectly can affect ancillary industries (for example, enterprises involved in fish processing companies, transport companies, and equipment and technical service suppliers). The level of this influence will depend of level of socio-economic impact on the fishing industry and the economic ties between the commercial fishing enterprises and ancillary industries. Potential types of indirect impact are the same as those for the actual fishing enterprises.

Experts have also noted the following positive and negative socio-economic construction impacts on the fishing industry:

- Positive impact due to Sakhalin-II infrastructure upgrade project implementation
- During construction period workers outline from fish companies to the companies involved into Sakhalin-I and Sakhalin-II projects. The key reason of outline is salary difference.
- Difficulties to find enough temporary personnel for fish season.

As stated at Section 4 of the RAP the Company is committed to conducting further surveys on ancillary industries in the coming months.

12.8 EXCLUSION ZONES

The physical presence of exclusion zones associated with the construction of the TLU, OET pipeline, LNG Jetty and Material Offloading Facility (MOF) in Aniva Bay, which are in place to manage safety and navigational risks, will result in a restriction of access by fishing (and other) vessels within the vicinity of these offshore facilities. During construction, the exclusion zones will be as follows:

- 1,000m radius around the TLU (April 2005 to December 2005);
- 750m on both sides of the OET-TLU pipeline (June 2004 to September 2004);
- 200m around the LNG Jetty (1 April 2005 to 31 December 2005);
- 200m around the MOF (April 2003 to 2009).

Furthermore, a "warning area" will also be established around the whole development area, which will be marked on marine charts and within which fishing will be limited. This area will occupy approximately 64km² of coastal waters. Information about the warning area zone and exclusion zones will also be communicated to fishermen, either directly by SEIC or through representatives of fishing organisations.

During the operational phase, the exclusion zones will be as follows:

- 900m radius around the TLU;
- 300m turning circle around the LNG Jetty (restricted access to LNG carriers only);
- 500m on both sides of the Oil Export Pipeline.

These exclusion zones will remain in place during the operational phase, hence there will be a permanent reduction in the size of the available fishing grounds by about 8.5km². Moreover, the warning area of 64km² will remain in place and be shown on marine charts throughout the operational phase.

The implications of the exclusion zones during both construction and operation for commercial fisheries interests in the Aniva Bay area have been assessed and calculated using data collected from trawl and sampling surveys, as set out in Table 1 (Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin 2003). The calculations were based on the recorded biomass of the key commercial species within the area of the proposed exclusion zones, distribution data and % of stock exploited (invertebrates only) within the zones and resource loss as a function of the area covered by the exclusion zones in relation to the rest of Aniva Bay.

Using this data, potential catch losses for commercial species that could result from implementation of the exclusion zones were calculated. Table 4 provides a summary of the calculated losses for commercial invertebrate species and Table 5 losses for fish species (excluding salmon). The area of affected resource is estimated according to the known distribution of resources that occur within the proposed

exclusion zones. For invertebrate species and algae, this is based on mapped data (*ibid.* 2003) and for fish on the basis that the entire exclusion zone(s) could potentially provide a fishing resource.

Table A-04: Estimated Loss of Catch for Commercial Species (Shellfish and Algae) Resulting from Implementation of Exclusion Zones during Construction and Operation of LNG and OET Facilities in Aniva Bay

Species	Resource Area Excluded ('000 m ²)*	Specific Biomass, kg/m ²	% of Stock Viable	Annual Quota, Aniva Bay**	Estimated Catch, Prigorodnoye, (tonnes)	% Overall Catch in Aniva Bay
Far East Scallop	<u>3,800</u> 4,000	0.06	15	400	<u>34</u> 36	<u>8.5</u> 9.0
Short spined sea urchin	<u>0</u> 15	1.07	10	59	<u>0</u> 1.6	<u>0</u> 2.7
Japanese Laminaria	<u>0</u> 60	6.4	40	2,770	<u>0</u> 154	<u>0</u> 2.17

* Top figure represents excluded resource during operation, lower figure excluded area during construction.

** Recommended quota for 2004 fishery (Regional Centre for Coastal Fishing and Commercial Exploitation 2003)

Table A-05: Estimated Loss of Catch for Commercial Fish Species (excluding salmon) Resulting from Implementation of Exclusion Zones during Construction and Operation of LNG and OET Facilities in Aniva Bay (Op. – Operation; Con. – Construction)

Species	Biomass, kg/m ²	Stock, tonnes		Potential Catch, tonnes		Total Quota (tonnes)	% of Total Quota	
	Average	Op.	Con.	Op.	Con.		Op.	Con.
Japanese smelt	0.0091	3	36.4	1.18	14.6	641	0.18	2.3
Rainbow smelt	0.0076	2.47	30.4	0.6	7.6	120	0.5	6.3
Redfin	0.0033	1.1	13.2	0.43	5.3	1,011	0.04	0.52
East Siberian Char	0.0075	2.4	30	0.6	7.5	826	0.07	0.92
Capelin	0.35	590		10.5	28	172	5.8	16.3

For commercial shellfish interests in Aniva Bay, the above figures (in Table 4) provide an indication of the likely loss of an available resource. The calculated values suggest that, apart for the far eastern scallop, the effect of the exclusion zones will be limited to the construction period and even then the annual loss of sea-urchin and *Laminaria* harvest would be relatively small when compared with quotas for the entire Aniva Bay area.

Potentially, during the construction period it is likely that harvest effort would be directed elsewhere in the Bay in order to compensate for the loss of available resource due to exclusion. This may place some additional pressure on resources of these species in the immediate area. However, given the relatively low volume of catch involved it is considered that this additional pressure would not constitute an adverse effect on existing resources within the rest of the Bay.

The situation with respect to the far eastern scallop is somewhat different. During both construction and operation, an estimated 8.5-9% of the annual quota (based on 2004 figures) could be lost. This is largely due to the exclusion area covering much of the observed scallop ground at Prigorodnoye (Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin 2003). The significance of this loss is difficult to determine with any certainty, particularly as there is no readily available data indicating whether the stock here is commercially harvested.

Potentially, this long-term resource loss could be met by additional exploitation of colonies elsewhere in the Bay, some of which are, according to population structure data, not being exploited at the present time (SakhNIRO 2001b). Some of these colonies are located towards the southern end of the Bay, at a significant distance from the main fisheries base at Korsakov, and may therefore not be commercially viable. However, given the presence of colonies of this species throughout the Bay, it is considered that the quota for this shellfish would still be met, despite the effective loss of much of the colony at Prigorodnoye.

Potentially, the exclusion of fishing from the pipeline corridor (*i.e.* an effective no-take zone) may lead to the establishment of a healthy “broodstock” population of far eastern scallop in the area local to Korsakov. This population could then act as a source of new planktonic larvae that could either establish new colonies elsewhere in suitable locations within the Bay or enhance the population structure of existing colonies that are exploited by the shellfish industry.

As stated previously, the salmon fishery in Aniva Bay is of key commercial importance. The effect of the exclusion zones on this fishery is therefore of potential significance. Data from the study (Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin 2003) shows that the salmon fishery in Aniva Bay supports a relatively high number of fishing companies (32 in 2002 and 54 in 2001) and established quotas are regularly exceeded (*e.g.* in 2001 the quota was 23,440t and 33,963t were produced).

The proposed exclusion zones would impact directly on one fixed salmon net along the planned offshore pipeline route at Prigorodnoye (fixed net № 345A, owned by the Lenbok Company).

With respect to non-salmonid fish resources, calculations suggest that the overall implications of the exclusion zones would be of limited significance for a number of reasons as briefly highlighted below:

- The commercial fish assemblage recorded for the proposed exclusion area is found throughout much of the Bay;
- Stocks are mobile and therefore there is effectively no loss of resource, but a reduction in available fishing area;
- The figures presented are calculated as a % of quota rather than actual stock;
- During operation (*i.e.* long-term) estimated losses relative to quotas (assuming no displacement fishing effort occurs) for all of the commercial species, would be less than 0.5%;
- Even assuming that fishing effort may increase in other areas due to activity displacement, it is considered that quota levels could still be achieved without a detrimental impact to resources within the Bay;
- Existing fishing effort within the proposed exclusion zones is unknown and may presently occur at a level at which potential catch would never be achieved (*i.e.* the calculated figures are worst case);

- The exclusion zone would effectively act as no-take zone and in this respect could actually provide some benefit in the long-term to local fisheries in the area.

The estimated loss figures for capelin (16% during construction and 6% during operation) are rather misleading, since they relate to a relatively low quota limited compared with the estimated stock level.

Data for the Prigorodnoye–Ozersky section of coastal waters indicate a stock level of around 590t (Regional Centre for Coastal Fishing and Commercial Exploitation of Fish Resources of Sakhalin 2003) which suggests that the overall loss due to exclusion would be in the region of 1.8% of potential stock during operation. Again, however, this figure needs to be viewed in the context of the points raised above.

Taking into account the factors highlighted above it is considered that the imposition of the exclusion zone during construction and operation would have a negligible effect upon the existing fish resources of Aniva Bay. Although commercial fishing activity would be prevented within the exclusion zone, the viability of commercial exploitation to achieve quotas would be unlikely to be compromised. With respect to this, it should be noted that redfin, east Siberian char and smelt effectively fill in the seasonal gap when salmon fishing and processing is not taking place. Quotas, as a rule, are therefore fully met, except for capelin, the price of which during periods of abundance (e.g. in 2002) falls to unprofitable production levels.

12.9 RESIDUAL IMPACTS

Available information indicates that commercial fishing activity in the coastal and offshore area of north-eastern Sakhalin is relatively small-scale, although the area supports commercially exploitable stocks of a number of fish and shellfish species (SakhNIRO 2001a). The exclusion zones and physical presence of platforms, pipelines and associated vessels will therefore be unlikely to have a significant impact upon commercial fisheries interests. Taking into account the successful implementation of the proposed mitigation measures, as listed above, it is considered that the impact of the project, during both construction and operation, would be of minor significance.

In comparison to the north-east of the Island, Aniva Bay is an important commercial fishing area and there will be some direct impacts on fishing activity as a result of construction works, the physical presence of the project and the associated exclusion zones. The direct impacts of the works on commercial operations and fish stocks, notably the imposition of exclusion zones around the OET pipeline and LNG jetty and impact on licensed fishing areas, have been resolved through assistance with relocation and financial compensation.

As such, the outstanding elements of the construction and operation of the facilities in Aniva Bay relate to specific aspects such as dredging and disposal and wastewater discharge during operation. A number of mitigation measures, as listed above in Section 8.6, will need to be introduced to ensure that these identified effects do not impact upon commercial fish and shellfish populations and that commercial interests are maintained. With the implementation of these measures, in combination with a dedicated monitoring programme, it is considered that impacts on commercial fisheries in Aniva Bay can either be avoided or reduced to a negligible level.

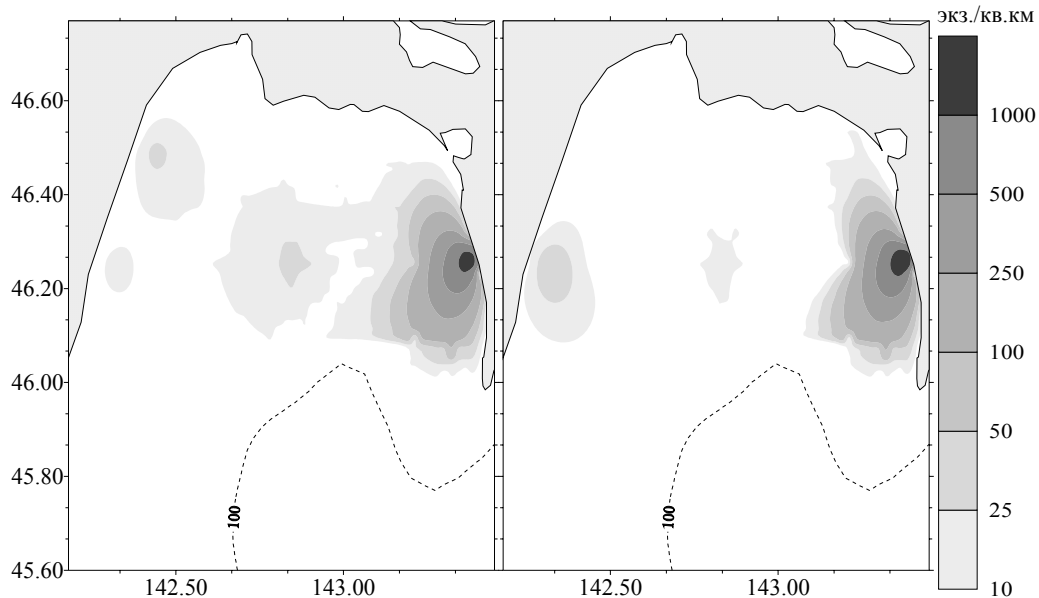


Figure A-02 Distribution of Male (A) and Female (B) Red King Crabs in Aniva Bay in 2000

A number of commercially exploitable stocks of shrimp species, notably bear-cub shrimp, visored shrimp (*Argis lar lar*) and ridged crangon (*Crangon dalli*) also occur within the Bay (SakhNIRO 2001b).

12.10 SOCIO-ECONOMIC DATA OF FISHING INDUSTRY

Table A-06: Key socio-economic data on fish industry

Index	2000	2001	2002	2003	2004
Industrial production indexes, % to the previous year	97.5	115.1	84.8	119.9	89.1
Share of fish industry production in common volume of industry production, %	23.7	27.9	26.2	31.9	24.9
Number of enterprises	688	720	631	571	475
Average annual quantity of industrial personnel, people	54412	51494	51081	48640	47415
Including in fishing industry	15593	18224	18489	17849	16282
Average monthly accrued salary in industry, rub	4516.2	6461.4	7868.6	10036.2	13017.8
In fish industry	3899.6	5125.7	6260.2	8095.1	8929.0
Investments to fixed capital stock from all sources of financing (actual prices), millions of rubles	4286.5	11834.1	20910.6	11558.4	25184.6
Including fish industry	327.1	371.6	243.3	496.6	738.5
Fish and other sea products catch, thousands of tons	417.5	433.1	368.7	462.5	382.0

Index	2000	2001	2002	2003	2004
Fish food production, including canned products, thousands of tons	356.9	391.8	348.9	410.6	389.6
Fish food production in assortment:					
Fresh and frosted fish, tons	107873.0	110788.0	80644.0	99533.0	104890.0
Frozen fish, tons	147457.0	177115.0	179562.0	205867.0	206654.0
Salted fish, tons	334.0	1929.0	323.0	413.0	137.0
Smoked fish, tons	140.0	401.0	181.0	186.0	190.0
Dried and charcued fish, tons	23.0	5.0	3.0	75.0	48.0
Specially carved fish, tons	36.0	-	84.0	-	1.0
Frozen fish fillet, tons	33669.0	28732.0	12425.0	24958.0	7191.0
Herring of all processing types, tons	25010.0	24056.0	32789.0	26467.0	21523.0
Cookery, tons	844.0	742.0	543.0	483.0	426.0
Smoked and salted fish products, tons	6.0	5.0	4.0	5.0	3.0
Caviar, tons	6089.0	7718.0	4832.0	6494.0	4972.0
Seafood products, tons	15962.0	16944.0	19816.0	20674.0	22745.0
Grinded products, tons	4112.0	2014.0	592.0	597.0	389.0
Others, tons	813.0	729.0	1300.0	2040.0	1452.0
Canned products of fish and sea products	42493	58983	45285	65203	54305
Average monthly fish and sea products consume per capita, (kg), all population	2.2	2.3	2.5	2.3	2.4
Population with maximum incomes	1.92	1.6	1.4	1.84	1.7
Population with minimum incomes	2.66	3.7	4.0	2.72	3.4

Source: Fish industry of Sakhalin Oblast as part of Far East Federal District (2000–2004), Territorial body of Federal Statistics Service on Sakhalin Oblast, Yuzhno-Sakhalinsk, 2005

Table A-07: Fish catch and sea products harvesting by districts, tons

Districts	2000	2001	2002	2003	2004
Yuzhno-Sakhalinsk	82160	100369	95145	138375	125547
Aleksandrovsk-Sakhalinsky	1691	667	1458	1077	1042
Dolinsk	7383	16992	5812	17780	7096
Korsakov	46088	66909	48958	57475	35456
Nevelsk	30525	18845	19445	17667	20001
Okha	742	3040	1435	2828	790
Poronaisk	17066	24210	18764	28663	12356
Uglegorsk	1611	1462	2537	554	214
Kholmsk	125284	104786	51577	78337	63763
Aniva	1071	21091	12167	19158	4404

Kurilsk	39361	27064	45309	32663	39564
Makarov	2129	8842	2265	11487	2490
Nogliki	4336	2440	749	2122	464
Severo-Kurilsk	38601	23384	34043	28831	24411
Smirnykh	225	1110	107	3908	267
Tomari	552	691	1544	275	437
Tymovsk	12	100	58	267	50
Yuzhno-Kurilsk	18696	11091	27322	21051	43651
Total	417533	433093	368695	462518	382004

Source: Fish industry of Sakhalin Oblast as part of Far East Federal District (2000–2004),
Territorial body of Federal Statistics Service on Sakhalin Oblast, Yuzhno-Sakhalinsk, 2005

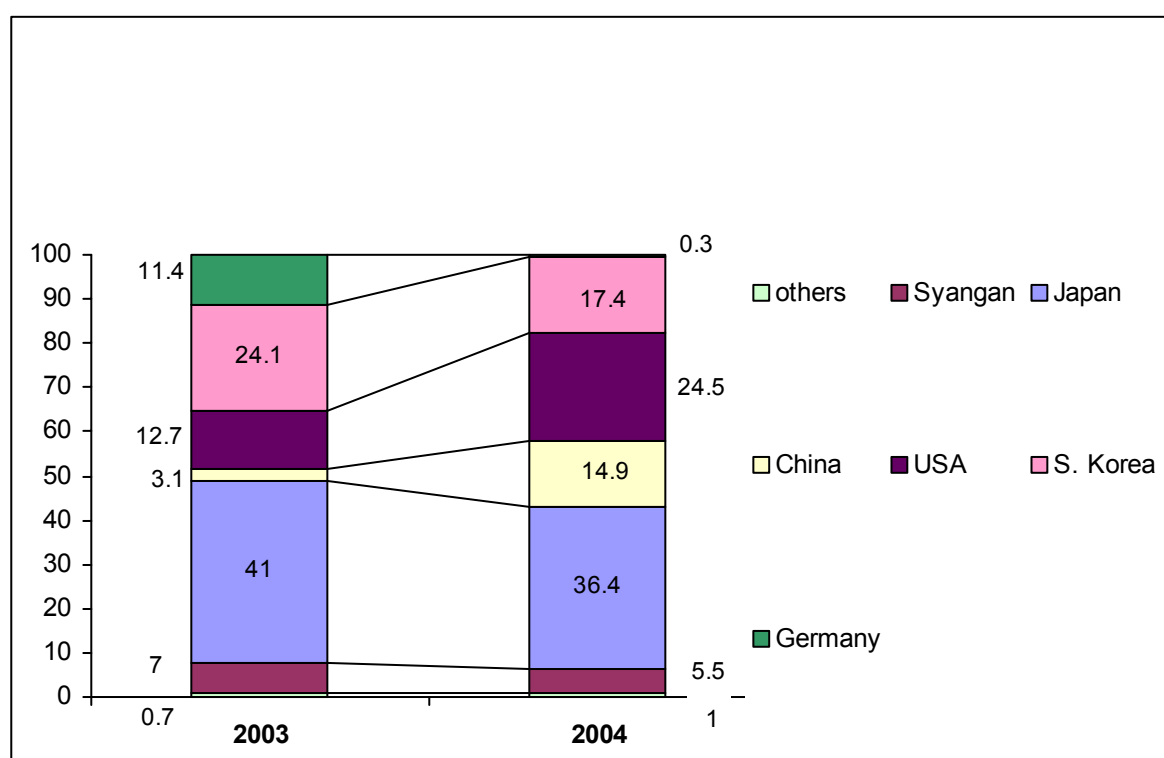


Figure A-08: Structure of export fish and seafood supply in value in 2003-2004, %

Source: Fish industry of Sakhalin Oblast as part of Far East Federal District (2000–2004),
Territorial body of Federal Statistics Service on Sakhalin Oblast, Yuzhno-Sakhalinsk, 2005

ANNEXURE B: METHOD OF VALUATION OF COMPENSATION AND SUPPLEMENTAL ASSISTANCE

This annex provides the outline of the methodology used to calculate compensation under the Russian Federation Laws as well as under the Supplemental Assistance Programme. It covers parameters like profits, assessment of value of assets, crops and loss recovery of industries/enterprises. While the compensation measures have been explained in section 6 on the entitlement framework, the basis of the calculations has been explained through simple formulae here. The Annex also discusses the gaps and limitations in these calculation methods. Worked examples of compensation payable for loss of potato and hay crops under both Russian legislation and Supplemental Assistance are set out at Section 1.3.

12.11 METHOD OF CALCULATION LOSSES UNDER RUSSIAN FEDERATION LEGISLATION

12.11.1 Calculation of lost profit

$$V = S * X, \text{ where}$$

V – Volume of production (t)

S – Plot area (hectare)

X – Harvesting capacity taking into account the fertility of the handed over land (t/ha)

$$n = p - z, \text{ where}$$

n - Sales profit of 1 tonne of agricultural products (rub/t)

p – Market price of 1 tonne of products (rub/t)

z – Prime cost of 1 tone of products (rub/t)

$$N = n * V, \text{ where}$$

N – Lost profit for 1 year to be calculated (rub/t)

$$M = N * k / x, \text{ where}$$

M – Total amount of lost profit

k – Number of years

x – Lost income recalculation coefficient. For occupation period of 3 years the recalculation coefficient equals to 2,5

12.11.2 Calculation of assessment of assets

Subject to waiver of rights for a land plot, an independent assessment agency to assess a site against the following items:

- Market value of a land plot
- Market Value of buildings, structures and utilities situated on the plot
- Losses including lost profit related to waiver of rights for a land plot
- The cost of waiver of the right
- Value of other assets

12.11.3 Cost calculation of agricultural industry loss recovery when withdrawing reindeer pastures

$$p = s * n, \text{ where}$$

p – Cost of loss recovery for each area (thousands of rubles in accordance with the prices of 1989)

s – Land allocation area for each area

n – Loss recovery standard (thousands of rubles per hectare in accordance with the prices of 1989) taking into account the deer holding capacity of an individual area. Lichen forage and green forage to be considered separately.

$$P = \sum p, \text{ where}$$

P – Total cost of loss recovery (rubles in accordance with the prices of 1989)

Total cost of loss recovery on the basis of current prices of rubles (taking into account the indexation coefficient as per the Decree of the RF Government No. 908 dated June 15, 1994, denomination (devaluation) of currency in 1997 and consolidated index of consumer prices based on information of the Sakhalin Oblast State Statistics Committee).

For examples of calculations of compensation payable under Russian legislation please see Section 1.3.1.

12.11.4 Gaps in Calculation of Compensation

The following table summarizes the basis of calculating compensation of damages and lost profits under the RF legislations, and also identifies the gaps and possible risks in the methods. This gap analysis has informed the development of the methodology for calculating the Supplemental Assistance.

Table B-01: General Description of Calculation of Losses and Damages Caused by Land Withdrawal and Possible Problems with Compensation*

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
Agricultural Land							
Cultivated land, including kitchen gardens, subsidiary plots, garden plots	Compensation of expenditure needed to restore the deterioration in the quality of land (cost of surveying and prospecting and activities aimed at land quality recovery) (clause 19)*.	Cropland user (clause 9) *.	For compensation for crops see 'Agricultural Crops'.		Compensation for cultivation of the same amount of new land including reclamation and other activities aimed at land cultivation and fertility improvement up to the level of the withdrawn land (cadastre land cost) (clause 28)*. Maps, plans, soil examination data and land monitoring results will be used for calculation of profit (clause 31)*. Losses will be fully compensated when farmland is granted for temporary use on the condition that the disturbed land will be re-cultivated into non-agricultural land (clause 34)*.	Local administration (clause 5)*	Loss compensation might be insufficient to cover actual expenditure, as individual users are more often than not unlikely to take account of all their expenditure. This particularly concerns the cost of individual labour on soil quality recovery.
Garden Berry field Other perennial crops	Compensation of fruit- and berry-growing plantations (cost of seedlings and expenditure on planting and cultivating them before the beginning of fruit-bearing or crown linkage - (clause 16)*; Expenditure on incomplete production and non-	Cropland user					Damage compensation might be insufficient to cover actual expenditure, as individual users are highly unlikely to take account of all their expenditure. This particularly concerns cost of individual labour on crop-planting and cultivation. People either forget about this kind of expenditure or do not consider this to be expenditure at all. Sometimes people underestimate their expenditure. The cases in which people either supply correct estimates or overestimate are very limited. That is why independent expert estimation is needed on a case-by-case basis. People are generally unable to provide proof of such expenditure, as

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
	fruit bearing fruit and berry plantations (evaluation is based on the cost of work actually performed by the land user); Compensation of expenditure on perennial crops (cost of seedlings and expenditure on planting and cultivating them before the beginning of fruit-bearing or crown linkage).						they have no documentary evidence. The recommended application of collective farm prices in cases where no documentary evidence is provided generally leads to a calculation which under-estimates expenditure.
Fallow land	Compensation of expenditure needed to restore the deterioration in the quality of land (cost of surveying and prospecting and activities aimed at land quality recovery).	Cropland user					Problems with perennial crops might be faced.
Hay fields, cattle pastures, reindeer pastures	For cultivated land - compensation of expenditure needed to restore the deterioration in the quality of land (cost of surveying and	Cropland user					In case of cultivated pastureland, problems similar to those faced with perennial crops might be faced

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
	prospecting and activities aimed at land quality recovery).						
Crops							
Horticultural crops (vegetables, berries, etc.) Hay fields. agricultural products (hay, silage, other green food, etc.) Pasture products			Annual land user profit returned from the withdrawn land calculated for the time period necessary for recovery of infringed production with coefficient equal to the time period necessary for recovery and rental time (clauses 21-23)*.	User			Individual users might have difficulties calculating lost profit for the following reasons: In most cases, production volume is not calculated. If the strategy is to use prices of some agricultural enterprise for sampling, the best enterprise should be chosen to avoid an under-declaration of crop yield. Due to insufficient data on agricultural products prices, there is a risk of an incorrect calculation of profit from agricultural products sold by individuals (these prices are higher than those of agricultural enterprises) and of expenses). Potentially there might be changes in the type of land allotment usage (e.g. former pastureland is used for tomato production). In this case there will be no available data on tomato yield within the last five years, which is the requirement of Russian Federation legislation. There is the option here to use data on tomato yield for the current year. For the rest of the time period data from the best agricultural enterprises might be used. But in this case, crop yield under-declaration is a potential problem. As the land user becomes more experienced, it is likely that crop yield will increase accordingly.
Perennial crop			Annual land user profit	User			See above.

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
products (berries, fruits, etc.)			returned from the withdrawn land for the whole period including the year of land withdrawal and the year of first yield of new fruit-and berry-growing plantations equal to the yield on the withdrawn land (clause 24).				
Residential (dachas, houses, etc.)	Compensation for residential facilities (by the estimated cost of construction of new facilities equal to those available in useful floor space, capacity, volume and level of mechanisation) (clause 12)* or compensation for transferring residential facilities (by the estimated cost of transferring residential facilities).	Owner					Since some individuals use these structures for permanent residence (but do not own them) there may be a risk that they will not be compensated as compensation is only provided for the registered land users. To resolve this, compensation should be available to the user of the structure (for example, the farm in Prigorodnoye). It is also unclear how to expenditure for the improvement and maintenance of residential facilities is calculated.

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
Non-residential (fences, chicken coops, dog kennels, cowsheds, etc.)	Compensation for cultural, production and other facilities, industrial and other buildings (by the estimated cost of construction of new facilities equal to those available in useful floor space, capacity, volume and level of mechanisation) (clause 12)* or compensation for transferring non-residential facilities (by the estimated cost of transferring residential facilities).	Owner					Practical experience shows that there are cases when compensation is not available on some non-residential structures. These are small-scale objects (like dog kennels). The problem of their improvement and maintenance is similar to that of the residential facilities.
Resettlement Expenditures							
							There is the risk that some aspects may not to be taken into account in the process of calculating compensation.
Nuisances (inconveniences)							
	Compensation for nuisance	User			General definition of damages should be interpreted as including damages due to any nuisance.		
Expenditure caused by land use nuisances that emerged (faults with transportation system, etc.)							
	Compensation of non-recurrent	User	Tenfold difference of	User			

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
	expenditure for construction of roads, access roads and other constructions and for equipment purchasing (clause 18)*.		annual expenditure for transportation after land withdrawal (when nuisance occurred) and prior to land withdrawal (clause 25)*.				
Expenditure caused by limitations in the land use rights							
	Compensation of expenditure for construction, reclamation and other activities, purchasing of materials and equipment necessary for reconstruction of infringed production (clause 20)*.	User			Losses resulting from limited access or land deterioration caused by enterprises'/institutions' activities are calculated as a percentage of the costs for land reclamation in proportion to land quality deterioration (cadastre land cost) (clause 30)*.		Individual users are highly likely to forget about this type of expenditure. The problem will only arise when production levels are discovered to have been encroached upon.
Expenditure for factual land use registration							
	Compensation for right of use registration (for the cases of self-acquisition/verbal agreement concerning agricultural land	User					Compensation is not provided by Russian regulations. Lease agreement for the time period less than one year is not subject to compulsory state regulations. It should be noted that official registration costs are significant. Besides, the registration procedure is highly bureaucratic. The majority of individuals that use land under the terms of

Category	Loss		Lost Profit		Damage		Gaps
	Basis	Paid to	Basis	Paid to	Basis	Paid to	
	temporary usage/rent).						self-acquisition/verbal agreement would prefer to be officially registered.

* Calculation of damages and losses of agricultural production was regulated on the federal and local level by the 'Decision of the Council of Ministers (government) of the Russian Federation No. 77 of January 28, 1993 on Endorsing the Regulations for the Redemption of Losses to Land Proprietors, Landowners, Land-users, Tenants and Losses in Agriculture.

Note: This document lost effect after enactment of Decree of the Government of the Russian Federation (7 May 2003 No. 262) in part of calculation of damages for Land Proprietors, Landowners, Land-users, Tenants but the calculations of compensation was done before enactment of this document in accordance with Decision of the Council of Ministers No. 77.

12.12 SUPPLEMENTAL ASSISTANCE CALCULATION METHODOLOGY

The basic approach for supplemental assistance calculation is to sufficiently meet the following key requirements:

- Fair compensation to land users for annoyance and losses, caused by land acquisition for the Project; and
- Possibility to get a crop from a similar / identical land plot equivalent to the one from the lost plot, i.e. crop amount should be the same or bigger comparing to the amount prior to land acquisition;

12.12.1 Characteristics of Method

The method used for completing the tasks stated in Clause 2.1 can be described as the **method of replacement cost calculation**. The method is that the supplemental assistance is calculated as cost of lost crop replacement plus compensation for investments into a land plot.

Based on this method, supplemental assistance is calculated for one farming year. That is stipulated by the following:

Average maximum values used for replacement cost calculation for are:

- Agricultural crop yield figures calculated according to highest, rather than average crop yields) (for examples of rates see section 1.2.2.1),
- Agricultural products market prices (maximum rather than average market prices) (for examples of rates see section 1.2.2.1),
- Land plot's investments, (for examples of rates see section 1.2.2.2), etc.
- Agricultural products costs are not deducted from the crop replacement cost;
- Land plot development expenditures are calculated based on stipulation that land plot cultivations are performed twice a farming year;

Details on the sources of information used for the calculation of rates are set out at section 1.2.1.1.

Using this method, supplemental assistance sufficient for lost farming reclaim can be calculated at a new land plot, as:

- Crop replacement cost covers the losses related to termination of production at the affected plot, as a land user will be able to purchase sufficient amount of the same products at a market at current prices; and
- Similar land plot development compensation will give him an opportunity to improve a new land plot and to gain crop at the same or higher level comparing to the affected plot;

12.12.1.1 Sources of Information

A description of the information from different sources used for calculation of estimated parameters is given in Table B-02.

Table B-02. Information Used for Parameters Calculation

Source of Information	Description Of Information And Purpose Of Use	Estimated Parameter		
		Crop yield	Market price	Development expenditure
The Agricultural Department of the Sakhalin Oblast	<ul style="list-style-type: none"> - Average and maximum crop yield and market prices values over the last three years, submitted by Sakhalin farm enterprises. - Used for calculation of average maximum crop yield and market price values, when calculating crop replacement cost 	▲	▲	
Statistic Bodies	<ul style="list-style-type: none"> - Average statistical crop yield and market price values, provided by Sakhalin farm enterprises, farmers and individual enterprises; - Used for comparative analysis of crop yield and market price values 	▲	▲	
Farmers	<ul style="list-style-type: none"> - Current crop yield and market price values - Used for comparative analysis of current and average maximum values 	▲	▲	
Project affected / not affected land users poll	<ul style="list-style-type: none"> - Actual crop yield values and land plot development expenditures - Used for calculation of average maximum crop yield values and land development expenditures, also of scope of land plot development works 	▲		▲
Agricultural product market prices gathering	<ul style="list-style-type: none"> - Current agricultural product market prices - Used for monitoring of agricultural product prices development 		▲	

Note: ▲ - information used for an estimated parameter calculation

A combination of information from different sources enables SEIC to make an objective conclusion about agricultural product market prices, agricultural crop yield in different districts of Sakhalin Oblast and about land plot investments.

If there is a difference in the valuation of crop yield values and market prices gained from the Agricultural Department, from farmers and from individual land users, the data provided by the Agricultural Department is taken as a basis for estimated parameters calculation.

For calculation of estimated parameters related to land plot development expenditures and scope of works, the results of individual land users polls were used, as information of this nature is not available from other sources.

12.12.1.2 Parameters Calculation

The following average maximum parameters are used for supplemental assistance calculation:

- Agricultural crop yields;
- Agricultural products market prices; and
- Land plot development expenditures, etc.

The following formula is used for calculation of average maximum values of crop yield, maximum market prices and maximum plot development expenditures (X_{am}):

$$X_{am} = \frac{X_1 + X_2 + X_3 \dots}{N}$$

where X_1 , X_2 , X_3 substitute for maximum values of the parameter (crop yield or market price or plot development expenditures), and N is a number of values.

12.12.2 Supplemental Assistance Calculation

The following formula is used for supplemental assistance amount (A_{SA}) calculation:

$$A_{SA} = (C_{CR} + C_{LPD}) * S_{ALP},$$

where A_{SA} substitutes for amount of supplemental assistance, C_{CR} - cost of crop replacement (one agricultural crop per one season), C_{LPD} - cost of land plot development cost per 1 m²; S_{ALP} – Square of affected plot.

The resulting supplemental assistance amount is calculated as lost crop replacement cost plus land plot investments compensation.

Examples of this calculation are set out at section 1.3.2.

12.12.2.1 Crop Replacement Cost Calculation

The following parameters are used for crop replacement cost calculation:

Table 2. Crop replacement calculation

Notation	Estimated Parameter	Unit	Rates	
			Potato	Hay
Y_{AC}	Yield of agricultural crop	kg/m ²	2	0,4
MP_{AP}	Market price of agricultural product	rub/kg	15	4.2
C_{CR}	Cost of crop replacement (one agricultural crop per one season)	rub/m ²	30	1,68

Agricultural crop replacement cost for one season is calculated in roubles per 1 m².

The following formula is used for calculation:

$$C_{CR} = Y_{AC} * MP_{AP}$$

12.12.2.2 Similar Land Plot Development Expenditures Calculation

Estimated parameters used for land plot development expenditures calculation depend on the scope of works to be carried out at a similar land plot, namely:

- Land plot tilling, vegetable layer treatment;
- Fertilization; and
- Furrowing.

Agricultural equipment is used for development works. Based on the above-mentioned, the following estimated parameters are determined:

Table 3. Land Plot development Estimation

Notation	Estimated Parameter	Unit	Rates
C_F	Cost of fertilizers	rub/m2	2
C_{AEU}	Cost of agricultural equipment use	rub/m2	2
C_{LPD}	Cost of land plot development per 1 m2	rub/m2	4

Average maximum values of fertilizers' cost, hired help cost and agricultural equipment use cost needed for 1 m² of land plot development are used for calculation. The following formula is used for 1m² of land plot development cost (C_{LPD}) calculation:

$$C_{LPD} = (C_F + C_{AEU})$$

12.13 EXAMPLES OF COMPENSATION PAYABLE UNDER SUPPLEMENTAL ASSISTANCE AND RUSSIAN LEGISLATION

12.13.1 Example of calculation of compensation payable for loss of potato and hay crops under Russian Legislation

Table B-03: Russian Legislation calculation of Hay/Potato (Calculation of lost profit)

Year	Index	Unit	Hay			Potato		
			1	2	3	1	2	3
2003	Plot area	Ha	0.49	0.96	1.94	2.48	0.3	1.75
	Harvesting capacity taking into account the fertility of the handed over land (t/ha) for last 5 years in district	Centner/ha	15	32	15	111.8	80.2	60
	Volume of production	Tonne	0.74	3.07	2.91	27.73	2.41	10.50
	Market price of 1 tonne of products	RUR	3000	2750.00	2500	10000	10000	11060
	Prime cost of 1 tone of products	RUR	500	50.00	1045	4004	2970	4200
	Sales profit of 1 tonne of agricultural products	RUR	2500	2700	1455	5996	7030	6860
	Lost profit for 1 year to be calculated	RUR	1838	8294	4234	166247	16914	72030
2004	Plot area	Ha	0.49	0.96	1.94	2.48	0.3	1.75
	Harvesting capacity taking into account the fertility of the handed over land (t/ha) for last 5 years in district	Centner/ha	15	32	15	111.8	80.2	60
	Volume of production	Tonne	0.74	3.07	2.91	27.73	2.41	10.50
	Market price of 1 tonne of products	RUR	3000	2750	2500	10000	10000	11060
	Prime cost of 1 tone of products	RUR	500	50	1045	4004	2970	4200
	Sales profit of 1 tonne of agricultural products	RUR	2500	2700	1455	5996	7030	6860
	Lost profit for 1 year to be calculated	RUR	1838	8294	4234	166247	16914	72030
2005	Plot area	Ha	0.49	0.96	1.94	2.48	0.3	1.75
	Harvesting capacity taking into account the fertility of the handed over land (t/ha) for last 5 years in district	Centner/ha	15	32	15	111.8	80.2	60
	Volume of production	Tonne	0.74	3.07	2.91	27.73	2.41	10.50
	Market price of 1 tonne of products	RUR	3000	2750	2500	10000	10000	11060
	Prime cost of 1 tone of products	RUR	500	50	1045	4004	2970	4200
	Sales profit of 1 tonne of agricultural products	RUR	2500	2700	1455	5996	7030	6860
	Lost profit for 1 year to be calculated	RUR	1838	8294	4234	166247	16914	72030
Total	Total Profit of total area	RUR	5513	24883	12702	498742	50743	216090

Year	Index	Unit	Hay			Potato		
			1	2	3	1	2	3
	Occupation period of the recalculation	Year	3	3	3	3	3	3
	Lost income recalculation coefficient.		2.5	2.5	2.5	2.5	2.5	2.5
	Total amount of lost profit	RUR	4594	20736	10585	415619	42285	180075

12.13.2 Example of calculation of compensation payable for loss of potato and hay crops under the Supplemental Assistance Programme.

Table B-01: Supplemental Assistance calculation for Potato

#	Index	Unit	1	2	3
1	Cost of crop replacement				
1.1	Square of affected plot	m2	1122	1076	1377
1.2	Yield of agricultural crop	kg/m2	2	2	2
1.3	Overall production	kg	2244	2152	2754
1.4	Market price of agricultural product	RUR	15	15	15
1.5	Cost of crop replacement	RUR	33660	32280	41310
2	Cost of land plot development				
2.1	Plot Area	m2	1122	1076	1377
2.2	Cost of land plot development	RUR/m2	4	4	4
2.3	Total cost of land plot development	RUR	4488	4304	5508
Total	Amount of supplemental assistance	RUR	38148	36584	46818

Table 2: Supplemental Assistance calculation for Hay

#	Index	Unit	1	2	3
1	Cost of crop replacement				
1.1	Square of affected plot	m2	30900	50000	11000
1.2	Yield of agricultural crop	kg/m2	0.4	0.4	0.4
1.3	Overall production	kg	12360	20000	4400
1.4	Market price of agricultural product	RUR	4.2	4.2	4.2
1.5	Cost of crop replacement	RUR	51912	84000	18480
Total	Amount of supplemental assistance	RUR	51912	84000	18480

ANNEXURE C: SUPPLEMENTAL ASSISTANCE QUESTIONNAIRE

SUPPLEMENTAL ASSISTANCE QUESTIONS

Community		Date	
Interviewer		Phone#	
Interview location		Start time	
Respondent's name		End time	
Address			

No	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
1		Family Description	
1.1		Family composition and occupation	
	1	- Who lives with you? (Information to be put into Table 01)	- Number of people living there - Kinship - Who these people are and what their age is
	1	- What do you and your family do currently? (Information to be put into Table 01)	- The status of every family member - Work seasonality - What every family member currently does - Income source - Where they work
1.2		Place of residence	
	1	- Who lives there PERMANENTLY? What part of the year do you live here? Where do you live the rest of the year? (Information to be put in Table 01)	- Type of residential facility (temporary/permanent) - Where they live the rest of the year - Who of the family members lives there permanently and what part of the year
	1	- Do you have an apartment in the city or other community? What kind of apartment is it? Who lives there?	- Availability of dwelling space - Where respondent's apartment is located - Apartment size - Who lives in the apartment - Who owns the apartment
1.3		Family income and expenditure	
		- What are the sources of income for you and your family for the last year? Please, name them (Information to be put into Table 02) - Salary, pension (for the retired), other type of pension (specify), social benefits, income from commercial activity, income from the farm, income from selling non-timber forestry products, income from selling hunting products, income from selling fishing catch, income from property, bank interest, other sources	- Economic dependence on the land allotment/household economic activities - Kinds of income, their importance - Economic situation/wellbeing - Economic dependence on gathering, fishing, hunting - Income structure

№	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
	2	<ul style="list-style-type: none"> - What are the types of expenses in your family for the last year? - Please, name (Information to be put into Table 03) - Savings, food, utilities payment - Non-food consumables, clothing, footwear, medical services and medications, long-term use products (furniture, car, electronic equipment, etc.), hobby and recreation activities, other (specify) 	<ul style="list-style-type: none"> - <i>Economic situation</i> - <i>Income sufficiency</i> - <i>Priorities/needs</i>
2		Land-Use	
2.1		History of residence	
	1	<ul style="list-style-type: none"> - For how long have you lived here? 	<ul style="list-style-type: none"> - <i>For how long they have lived there</i> - <i>The story of settlement</i>
2.2		Land-use status	-
	1	<ul style="list-style-type: none"> - Who owns the land? Do you keep in contact with them? How? 	<ul style="list-style-type: none"> - <i>The land tenure</i> - <i>The status of land use</i> - <i>Official status of tenure</i> - <i>Relationship with the land-owner</i>
	1	<ul style="list-style-type: none"> - Are you a tenant/subtenant for this land? Do you keep in contact with the land tenant? How? 	<ul style="list-style-type: none"> - <i>The land tenant</i> - <i>Status of land use</i> - <i>Relations with the land tenant (the amount of lease payment, labour force turnover, etc.)</i>
	1	<ul style="list-style-type: none"> - Are you registered in the Land Committee or any other institution? If not, who knows about your presence on this land? 	<ul style="list-style-type: none"> - <i>Status of the person who lives there</i> - <i>Individuals that are aware of the fact of land using/living there</i>
	1	<ul style="list-style-type: none"> - What summer cottage (dacha) cooperative is your summer cottage (dacha) part of? (The question to be asked only for the case of summer cottage) 	<ul style="list-style-type: none"> - <i>Name of the summer cottage (dacha) cooperative</i>
	1	<ul style="list-style-type: none"> - Is your land plot privatized? What is the cost of privatization? 	<ul style="list-style-type: none"> - <i>Cost of privatization</i> - <i>What is privatized</i>
2.3		Attractiveness of this territory	
	1	<ul style="list-style-type: none"> - What do you like about this place? 	<ul style="list-style-type: none"> - <i>Attractiveness/unattractiveness of the place for this particular land user</i>
		Tangible Assets	
3.1		Buildings and constructions	
	1	<ul style="list-style-type: none"> - What types of constructions (a house, barns, etc.) do you have at your farm? What material is it built from? How long ago were they built? Which of these is your property? Who built them? Where are they located? (Table, mark on the map) 	<ul style="list-style-type: none"> - <i>Types of constructions located in the area (a photo camera will be used)</i> - <i>The quality of the constructions</i> - <i>When those were built</i> - <i>Location</i> - <i>The proprietor of these constructions</i>

№	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
			<ul style="list-style-type: none"> - Cost of these constructions - Who financed construction
	1	<ul style="list-style-type: none"> - What other facilities do you use (water pipeline? wells?) Where are they located? - Who built them? When? (Table, mark on the map) 	<ul style="list-style-type: none"> - Type of facilities - Quality of the facilities (a photo camera will be used) - Location - Cost of these constructions - Who financed construction
	1	<ul style="list-style-type: none"> - Do you have a hold? What type? What do you store there? 	<ul style="list-style-type: none"> - Availability of a cellar - Description (type) of the cellar - The way the cellar is used
3.2		Agricultural lands and cattle	
	1	<ul style="list-style-type: none"> - What agricultural lands do you have (tillage, perennial plantations, fallow land, hayfield, pasture land, subsidiary plot, vegetable garden, garden-plot? (Table?)) 	<ul style="list-style-type: none"> - List of agricultural lands
	1	<ul style="list-style-type: none"> - Where is your farm located? What is its total area? (Mark on the map) 	<ul style="list-style-type: none"> - Locations of the cowsheds, vegetable gardens, pastureland, greenhouses, forcing beds, hay-meadows, etc. - Size (total area) and locations of the vegetable garden, etc. (use map)
	1	<ul style="list-style-type: none"> - What perennial plantations do you have (fruit-trees, berry shrubbery, etc.)? How many? When did you plant them? For how long have they been bearing fruit? (Mark on the map) 	<ul style="list-style-type: none"> - Description of the perennial plantations (a photo camera will be used) - Quantity - Age of the perennial plantations - For how many years they bear fruit
	1	<ul style="list-style-type: none"> - What cattle and poultry (cows, goats, pigs, etc.) do you have? How many? When did you obtain them? (Table?) 	<ul style="list-style-type: none"> - Description of cattle (cows, pigs, etc.) - The number of cattle - The number of domestic animals
3.3		Equipment and transport	
	1	<ul style="list-style-type: none"> - Have you got any transportation means? What kind? 	<ul style="list-style-type: none"> - Availability of transportation means, characteristics
	1	<ul style="list-style-type: none"> - Do you have agricultural machinery? What state is it in? To what extent do you use it? Do you rent other machinery? 	<ul style="list-style-type: none"> - Available agricultural engineering - How the agricultural engineering is used - Who owns it - The price of self-owned agricultural engineering - Rental price of agricultural engineering
	2	<ul style="list-style-type: none"> - What domestic appliances have you got? 	<ul style="list-style-type: none"> - Availability of household appliances
4		Household Economy	
4.1		Agriculture	
	1	<ul style="list-style-type: none"> - What agricultural lands that you have do you use (tillage, perennial plantations, fallow land, hayfield, pastureland, subsidiary plot, 	<ul style="list-style-type: none"> - Agricultural lands actually used

No	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
		vegetable garden, garden-plot)? (Table, mark on the map)	
	1	- What crops do you cultivate on your land plot? Where? Are they the main source for your food supply? (Table). What do you do to the crops harvested (what portion do you use as your subsistence, what portion do you give away, what portion do you sell)? Please give average numbers for each type of crops	<ul style="list-style-type: none"> - Types of crops - Quantities - Where - Importance for the ration - What/Who for - The way the crops are made use of - Family economical dependence on their agricultural activities
	1	- What is the crop capacity by types of crops?	- Crop capacity by types of crops
	2	- What was originally there on agricultural lands that you use? Specify for all types of land	- The way the particular land plot was being used before the present land user started using it
	1	- What do you produce of meat and milk (milk, dairy products, etc.). Does this make the basis of your diet? What do you do to these products (what portion do you use as your subsistence, what portion do you give away, what portion do you sell)? Please give average numbers for each type of product	<ul style="list-style-type: none"> - Types of cattle breeding products - Quantities - The way these products are made use of - What/Who for - Importance for the ration - Family economical dependence on their agricultural activities
	2	- Would you like to continue farming? What exactly would you like to do?	- Inclination, wish, NECESSITY of being involved in agriculture
4.2		Household production	
	2	- Do you make homemade preserves? What ones? What quantities? Do you sell them?	<ul style="list-style-type: none"> - Whether or not home-preserves are made - Quantities - Kinds of home- preserves - What/Who for
4.3		Production/household income	
	2	- What part of the harvest do you sell? What and where do you sell? What are the prices?	<ul style="list-style-type: none"> - Agricultural products sales volume - Sales channels and places - Method of setting the price - Sales revenue
	2	- Do you sell products harvested from perennial plantations? What do you sell and how much? What are the prices?	<ul style="list-style-type: none"> - What is sold - Sales quantity - Sales channels and places - Method of setting the price - Sales revenue
	2	- What part/types of meat and dairy products do you sell? How much and where? What are the prices?	<ul style="list-style-type: none"> - Agricultural products sales volume - Method of setting the price - Sales revenue - Sales channels and places

No	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
	2	- Do you sell wild plants, fish products? What do you sell and how much? What are the prices?	- <i>What is sold</i> - <i>Sales quantity</i> - <i>Method of setting the price</i> - <i>Sales revenue</i>
	2	- Do you sell homemade preserves? What type and quantity? What are the prices?	- <i>What is sold</i> - <i>Sales quantity</i> - <i>Method of setting the price</i> - <i>Sales revenue</i>
4.4		Expenditure on production/household	
	1	- What are your payments for land use (tax, rent, etc.)? What is their amount by type?	- <i>Types of payments</i> - <i>Amount of payments by types</i>
	1	- For how many years have you been developing this soil to bring it to the present condition? How have you been fertilizing/improving the soil?	- <i>For how many years the soil has been developed</i> - <i>How the soil has been fertilized/improved</i>
	2	- How much do you spend on seeds and seedlings? Indicate by type	- <i>Expenditure on seeds and seedlings by types of crops</i>
	2	- How much do you spend on land fertilizing (mineral and organic fertilizers, tillage, sowing and care, unaccounted additional expenditure)? Indicate by kinds of expenditure for every land type	- <i>Expenditure on every type of fertilizers for each type of land</i>
	2	- Do you hire additional labour? When? How much does every particular type of job cost? Do you practice in-kind labour effort compensation? What type of it?	- <i>Number of people, types of job</i> - <i>Workers' salaries</i> - <i>Sizes and types of in-kind labour effort compensation</i>
	2	- What are the fares for utilities? How much do you spend on utility payments (Roubles/month)?	- <i>Fares</i> - <i>Utility expenditure</i>
	2	- How much do you spend on fuel (coal/firewood)?	- <i>Expenditure on fuel</i>
5		Infrastructure	
	2	- Do you use public utilities? Which of them (sewerage system, water supply, heating, power supply, etc.)? Are you satisfied with what you get?	- <i>What utilities are available (power, water, sewerage, etc.)</i> - <i>Problems with utilities, if any</i> - <i>What organizations provide the utilities</i>
	2	- What type of water supply you are provided with (centralized/decentralized)?	
	2	- Where do you get fuel (coal/firewood)?	- <i>Type of fuel used</i> - <i>Where from the fuel is obtained</i> - <i>Any problems with fuel</i>
6		Gathering, fishing, hunting	
	1	- Do you engage in gathering? What plants? Where? How often?	- <i>What is gathered</i>

No	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
			<ul style="list-style-type: none"> - Where is gathering takes place in the area under discussion - Frequency of activities and amount of gathered products
	1	<ul style="list-style-type: none"> - Is gathering important for your family? Do you sell the gathered products? What do you do to these products (how much do you use as your subsistence, how much do you give away, how much do you sell)? Please give average numbers for each type of product 	<ul style="list-style-type: none"> - Importance of gathering (for subsistence, income, etc.) - The way these products are made use of - Family economical dependence on gathering
	1	<ul style="list-style-type: none"> - Do you fish/hunt/gather seafood? What? Where? How often? 	<ul style="list-style-type: none"> - What - Where - How much
	1	<ul style="list-style-type: none"> - Do you buy a licence? 	<ul style="list-style-type: none"> - Legality
	1	<ul style="list-style-type: none"> - Is fishing/hunting/gathering of seafood important for you? Do you sell them? What do you do to the fish, etc. (What portion do you use as your subsistence, what portion do you give away, what portion do you sell)? Please give average numbers for each item 	<ul style="list-style-type: none"> - Importance (for subsistence, income) - What portion of gathered products is sold and where - The way these products are made use of - Family economical dependence on fishing/hunting/gathering of seafood
7		Life Style	
7.1		Present situation	
	1	<ul style="list-style-type: none"> - What are the relations in the community? 	<ul style="list-style-type: none"> - Characteristics of the relationship between the residents
	1	<ul style="list-style-type: none"> - How often do you go to the city? What for? What transport do you use? 	<ul style="list-style-type: none"> - Aims and frequency of travels
	1	<ul style="list-style-type: none"> - How do you spend your leisure time? 	<ul style="list-style-type: none"> - Amount of leisure time, the way it is spent
	1	<ul style="list-style-type: none"> - What do you do in winter? 	<ul style="list-style-type: none"> - Winter-time activities preferred by permanent residents
	1	<ul style="list-style-type: none"> - Do you have visitors? When (season) and for how long? 	<ul style="list-style-type: none"> - Who visits, purpose of visits - How long the visitors/relatives stay
7.2		Change of lifestyle associated with the project implementation	
	2	<ul style="list-style-type: none"> - If you have to move how do you think your life will change? 	<ul style="list-style-type: none"> - Ideas on the way their everyday life they are used to may change - Fears, problems, hopes
	2	<ul style="list-style-type: none"> - Do you think you will be able to engage in fishing, gathering and hunting after your present life style changes? 	<ul style="list-style-type: none"> - Is there any possibility of moving from the community (relatives/acquaintances, etc.)?
	2	<ul style="list-style-type: none"> - In your opinion, how can your income change if you have to move? 	
8		Health	
8.1		Healthcare	
	1	<ul style="list-style-type: none"> - Do you have any concerns related to the state of your health or the state of health of your family members? What are the causes of these 	<ul style="list-style-type: none"> - Problems with health

№	#	QUESTIONS	WHAT NEEDS TO BE FOUND?
		concerns?	
	2	<ul style="list-style-type: none"> - In what medical establishment do you get medical services? What kinds of services are available there (preventive measures, immunization, emergency aid, etc.)? Are you fully satisfied with the medical establishment you get services at? Would you like to change anything in the way it operates? 	<ul style="list-style-type: none"> - Attendance of medical establishments - People's attitude to them
8.2		Public Health	
	1	<ul style="list-style-type: none"> - Where do you source water for cooking and drinking? - What is the water quality? How do you assess water quality (whether or not it can be used)? 	<ul style="list-style-type: none"> - The source of water supply (wells, pipes, centralized water supplying system, the near-by river) - The source of water for drinking, cooking - Water quality
	2	<ul style="list-style-type: none"> - Have you or your family members experienced any health problems caused by bad water quality? - How do administrative structures react? 	<ul style="list-style-type: none"> - Problems with water quality (if any) - Reaction of administrative structures
	2	<ul style="list-style-type: none"> - Do you know about the cases of illnesses caused by direct impact of external factors (e.g., illnesses caused by ticks)? 	<ul style="list-style-type: none"> - Health problems caused by environment
	2	<ul style="list-style-type: none"> - How often do you get ill? What are the reasons for it? 	<ul style="list-style-type: none"> - Sickness rate, reasons
8.3		Healthcare and project implementation	
	2	<ul style="list-style-type: none"> - Have you got any concerns related to project impact on local people's health? 	<ul style="list-style-type: none"> - People's opinion about project impacts
9		Education	
		<ul style="list-style-type: none"> - What kind of educational institutions are there in your community? 	<ul style="list-style-type: none"> - Access to education
		<ul style="list-style-type: none"> - What is your education? 	<ul style="list-style-type: none"> - Education level
		<ul style="list-style-type: none"> - Do you have any difficulties with the access to the educational institutions? 	<ul style="list-style-type: none"> - Issues related with access to education
10		People's Knowledge about the Project	
	1	<ul style="list-style-type: none"> - What do you know about Sakhalin-2 Project (LNG construction)? When and how did you get the information? Have there been conducted any meetings by the local administration authorities? 	<ul style="list-style-type: none"> - What people know about the project - Sources of information: who provided information and in what way - People's opinion about the project - People's opinion of how the project will impact them - How old the information is - How people plan their future in relation with project implementation
	1	<ul style="list-style-type: none"> - What are the neighbourhoods relations in the community? What are people's relations with the local Administration? 	<ul style="list-style-type: none"> - Whether or not people were invited to participate in public hearings - Whether or not Administration provides people with information on the project

Table 01: Family Details

CATEGORY	FAMILY MEMBERS					
	1	2	3	4	5	6
Last name, surname						
Respondent's kinship (related to the head of the family) Age						
Social status						
Occupation						
Place of work						
Permanent/non permanent resident						
Period of residence						
Period of residence						
Place of permanent residence						

Table 02: Sources of Family Income

TYPE	AMOUNT IN ROUBLES					
	1	2	3	4	5	6
Salary						
Pension (retirement)						
Other pensions* (name)						
Social benefits (name)						
Income from commercial activity						
Income from the farm						
Income from the sale of NTFP						
Income from the sale of fishing products						
Income from the property						
Bank interest						
Other Income						

Table 03: Expenditure Structure

EXPENSES	AMOUNT IN ROUBLES	EXPENSES	AMOUNT IN ROUBLES
Savings		Footwear	
Food		Medical services and medications	
Utilities		Long-term use products	
Non-food consumables		Hobby and recreation	
Clothing		Other (specify)	

ANNEXURE D: SEIC PUBLIC GRIEVANCE LEAFLET

About this leaflet

Large and complex projects, such as the Sakhalin II Project, can sometimes create issues for those living within or adjacent to the project area. We want to hear about any concerns (also known as 'grievances') that might have been caused by our activities or business practices so that we can do our best to try and resolve them in a timely manner.

This leaflet tells you how you can inform us of a grievance. It also sets out the steps that we will take to address your concerns.

What kinds of Grievances can I Raise?

Anyone can raise a grievance with Sakhalin Energy if they believe the Company's business practices or development of the Sakhalin II Project is having a detrimental impact on the community, the environment or on their quality of life. Examples of this may include:

- Dissatisfaction with the Resettlement and Compensation Claims Process
- Dangers to Health & Safety or the environment
- Failure to comply with standards or legal obligations
- Negative impacts on your community
- Financial malpractice or impropriety or fraud
- Criminal activity
- Improper conduct or unethical behaviour
- Harassment of any nature
- Attempts to conceal any of these

We will look into all grievances that we receive. Sometimes we may find that a grievance is not connected to our activity or that we are working within the applicable Russian and international standards (e.g. noise standards). In these cases we will explain this in writing to you. In all other cases we will investigate whether we have failed to work to our intended standard and, if we have, identify measures which might be taken to protect against the incident occurring again.

How Do I report a Grievance?

There are several ways you can report a grievance:

- Send a completed Grievance Form (given at the end of this leaflet) to the address on the back of the form;
- Contact your local Community Liaison Officer (CLO). A list of CLO contacts is also provided at the end of this leaflet;
- Send an email to the following address Grievancereport@Sakhalinenergy.ru
- Call Sakhalin Energy directly on a confidential phone line at +7 4242 66 2440. (For security reasons, there are no recorders or caller identification devices attached. If the phone is not answered, please call back).
- Or report your concerns via a confidential website www.seicconfidential.com which is completely anonymous.

It is also possible for you to leave your completed Grievance Form in one of the CLO boxes, but please note that it may take longer for us to respond to you as these boxes are not cleared on a daily basis. If your grievance is urgent we advise you to follow one of the above steps instead.

What Happens once I have Filed A Grievance?

In some instances, for example when you have contacted one of our CLOs and they are able to act immediately, it may be possible to resolve your grievance straight away. Where this is not possible we will work through the steps shown below:

Step 1: Receive Complaint

- Once we receive your completed form or get notification of your problem, we will assign someone to be responsible for resolving your grievance.

Step 2: Acknowledgement

- We will acknowledge receipt of your grievance by letter within 14 days of having received the grievance.
- Our acknowledgement will specify a contact person, their reference indicator and an explanation of our proposed action.

Step 3: Investigation

- We will work to understand the cause of your grievance. We may need to contact you during this time.

Step 4: Resolution

Once we have investigated your grievance, we will write to you with the results of the investigation and of our proposed action, should we believe any to be necessary.

If you consider the grievance to be satisfactorily resolved we would appreciate your sharing that with us by signing a Statement of Satisfaction.

If the grievance remains unresolved it will be reassessed and we will have a further dialogue with you to discuss if there are any further steps which may be taken.

Step 5: Follow Up

- If you are happy for us to do so, Sakhalin Energy may contact you at a later stage to ensure that our activities continue to pose no further problems.

Confidentiality and Anonymity

You may wish to raise a concern in confidence under this procedure. **If you ask Sakhalin Energy to protect your identity, it will not be disclosed without your consent. Details of submissions and allegations will remain secure within the team responsible for investigating your concerns. However, the situation may arise where it will not be possible to resolve the matter without revealing your identity (for instance where you are required to give evidence in court). The investigative team will discuss with you whether and how best to proceed.**

You may also choose to raise a concern anonymously. **However, remember that if you do not tell Sakhalin Energy who you are it may make it more difficult to look into the matter, to protect your position or to give you feedback. Accordingly, while Sakhalin Energy will consider anonymous reports, they are not encouraged. If you do insist on raising a concern anonymously, you will need to provide sufficient facts and data to enable the investigative team to look into the matter without your assistance.**

Sakhalin Energy Public Grievance Form

SEIC Reference No:	
Full Name	
Contact Information Please mark how you wish to be contacted (mail, telephone, e-mail).	Address: _____ _____ _____ Telephone: _____ E-mail _____
Preferred Language for communication (Please mark how you wish to be contacted)	Russian Japanese English
Passport Number (this is required by Russian law to be registered as an official grievance)*	Russian _____ Japanese _____ Other _____
* In the event a passport number is not provided, SEIC will still investigate, though unofficially.	
Description of Incident or Grievance: What happened? Where did it happen? Who did it happen to? What is the result of the problem?	
Date of Incident/Grievance	
	One time incident/grievance (date _____) Happened more than once (how many times? _____) On-going (currently experiencing problem)
What would you like to see happen to resolve the problem?	

Signature: _____

Date: _____

Please return this form to:

The Compliance Dept, attention Whistleblowing Focal Point, Sakhalin Energy Investment Company Ltd, 35 Dzerzhinskogo St., Yuzhno-Sakhalinsk 693020, Russian Federation

How you can contact Community Liaison Officers:

District	Town/ Settlement	Contact telephone (type of dialling)		
		International 7 4242 +	Russia code 8 4242 +	Sakhalin code 8 22 +
Noglikskiy	Nogliki	29 40 45	29 40 45	29 40 45
		29 44 08	29 44 08	29 44 08
	Val	29 42 08	29 42 08	29 42 08
Tymovskiy	Tymovsk	29 44 08	29 44 08	29 44 08
Smirnykhovskiy	Smirnykh	29 40 88	29 40 88	29 40 88
Poronaiskiy	Poronaisk	29 40 18	29 40 18	29 40 18
Makarovskiy	Makarov	29 40 18	29 40 18	29 40 18
Dolinskiy	Dolinsk	29 41 85	29 41 85	29 41 85
		29 44 84	29 44 84	29 44 84
Yuzhno-Sakhalinsk		29 41 85	29 41 85	29 41 85
		29 44 84	29 44 84	29 44 84
		29 41 13	29 41 13	29 41 13
Kholmskiy	kholmsk	29 41 13	29 41 13	29 41 13
Anivskiy	Aniva	29 41 85	29 41 85	29 41 85
		29 44 84	29 44 84	29 44 84
Korsakovskiy	Korsakov	29 09 93	29 09 93	29 09 93