

Meeting with the Public of the Nogliki District

03 June 2019

Central District Library
(5A Pogranichnaya Str., Nogliki)

16:00 – 17:50

Representatives of Sakhalin Energy

1. Timur Nailievich Gafarov, Onshore Processing Facility (OPF) Compression Project Development Manager
2. Galina Vladimirovna Fedorinova, Head of the Industrial Environmental Control Subdivision
3. Natalya Vladimirovna Gonchar, Head of the Information Support and Media Liaison Subdivision
4. Yulia Aleksandrovna Zavyalova, Lead Specialist of the Social Performance Subdivision
5. Leena Vladimirovna Zhamyanova, Specialist of the Social Performance Subdivision
6. Elena Olegovna Glavanova, Communications and Community Liaison Specialist of the Information Support and Media Liaison Subdivision

Public: 15 persons

The Agenda:

- 2018 Sustainable Development Report
- Sakhalin-2 project: northern facilities of the company
- Compression Project/Beach Landing Facility in Lunsky Bay area
- Environmental Impact Management, 2018 (the Nogliki District)
- Social programmes of Sakhalin Energy
- Questions and answers

At the beginning of the meeting, N. V. Gonchar warned those present that the meeting would be audio recorded for the subsequent drawing up of the minutes (the minutes of the previous meetings are available at the company's website).

N. V. Gonchar spoke on the process of identifying the contents of the Sustainable Development Report and its essential topics. The presentation focused on the benefits from implementation of the Sakhalin-2 project for the Russian Federation and the Sakhalin Oblast.

T. N. Gafarov spoke on northern production facilities of Sakhalin Energy (three offshore platforms, OPF, trans-Sakhalin pipeline system, and Pipeline Maintenance Depots). More details were provided on the Compression Project and Beach Landing Facility in Lunsky Bay area.

G. V. Fedorinova made the public familiar with the results of the Industrial Environmental Control, the Environmental Monitoring Programme and 2018 Plans for the Conservation of Biodiversity in the Nogliki District.

Yu. A. Zavyalova spoke on social programmes of Sakhalin Energy and paid special attention to the events which were held in 2019 under the auspices of the International Year of Indigenous Languages.

N. V. Gonchar reminded of the Grievance Procedure.

The company representatives recorded all questions arising during the meeting. Answers to the questions not answered at this meeting will be provided by the company at the public meeting to be held in Nogliki in Q4 2019, as well as at subsequent meetings as soon as the relevant information is available.

Question <i>(in the wording used by the speakers)</i>	Answer
Do you have any projects for people with disabilities? <i>(O. G. Shvetsova)</i>	<p>N. V. Gonchar: Assistance to people with health limitations is provided as part of contest projects of the Energy Social Initiatives Fund. Requests for such assistance come every year from various districts of the Sakhalin Oblast. If a project does not comply with the contest conditions for any reason but is socially important and interesting, the company may choose to consider it on a case-by-case basis. Subject to the contest conditions, no assistance is provided to individuals. The request must be submitted for consideration by a non-profit organisation. For example, the Korsakov sports centre obtained a facility for lowering wheelchair persons to the pool basin as part of the project. In Korsakov, the projects are implemented as part of the activities of the Korsakov Sustainable Development Partnership Council. This programme applies to the Korsakov City District only.</p> <p>The company has financed several projects related to the Preodoleniye Centre support. The company works closely with the centre and purchased equipment for development and training, helped in improvement of the centre area from time to time.</p>

	Another example is Golden Mustang Club which provides hippotherapy using the equipment purchased by the company.
Did Nogliki institution for elderly care and disabled persons take any part in the projects? <i>(O. G. Shvetsova)</i>	N. V. Gonchar: There is no information at this moment. But as for the projects for disabled persons, there was a project in Korsakov when the society of the disabled and the city administration purchased a vehicle for transportation of wheelchair persons and staircase equipment for wheelchairs.
There was information in the presentation that in 2018, the Sakhalin Oblast received more than US\$ 600 million. What share does this amount make in the Sakhalin Oblast budget? <i>(O. G. Shvetsova)</i>	N. V. Gonchar: The company does not have this information. However, all information on financial receipts in favour of the Russian Federation and the Sakhalin Oblast is stated in 2018 Sustainable Development Report.
I have a question on sea eagles. The number of their nests has declined in the area of OPF. You say that all is well with sea eagles and your operations have not influenced their population. But if we look at the number of nests in the area of OPF column (refers to the presentation), only one is occupied. Clearly, you operations have effected them because half of the nests are abandoned and gone. If there are disturbing factors in the nesting areas, sea eagles leave such areas. No information has been provided on the state of sea eagle population along the route of your pipeline. The situation there is even worse. <i>(anonymously)</i>	N. V. Gonchar: We have recorded your question. At the next meeting, a specialist will present a more detailed report on the state of Steller's sea eagle in the OPF impact area and along the pipeline route.
There used to be hot springs in Lunsky Bay. Once your asset started operation, hot springs ceased to exist within a year. Can you comment on the association with the start-up of the asset and gas production (may be the reservoir pressure dropped and thermal waters disappeared)? <i>(Yu. P. Velichko)</i>	T. N. Gafarov: The hydrocarbons storage tank is about three kilometres high. The top cover prevents hydrocarbons from escaping upwards. The bottom prevents effect of hydrocarbons on ground and current waters. No cropout of hydrocarbons has ever been recorded during the Sakhalin-2 project. We have accepted your question. The company will study the data and provide the answer at the subsequent meeting.

<p>You spoke on the gas lift technology. You extract gas and inject the same gas into other reservoirs where pressure drops. So, you use gas to extract gas? (Yu. P. Velichko)</p>	<p>T. N. Gafarov: The thing you are talking about is maintenance of reservoir pressure through injection of gas condensate into the gas cap. The gas lift method is an operation mode: a well is drilled in the field and gas is supplied through annular spaces in order to lift liquid up to a certain level. The company uses this technology for oil extraction.</p>
<p>You have been running the gas extraction project since 2008–2009 and the pressure drops already. For how long will there be gas, for how long is the asset designed? What are your forecasts? (Yu. P. Velichko)</p>	<p>T. N. Gafarov: The company extracts gas under the development project or development process flow that clearly states the production levels and duration. All actions are strictly governed by the State Committee for Reserves Protection and the Central Commission for Subsoil Use of the Ministry of Natural Resources.</p> <p>N. V. Gonchar: The Sakhalin-2 project operates until 2041.</p>
<p>Smoke emissions have become more frequent in Prigorodnoye. Are these asset shutdowns caused by failures or by technology issues? How can this be explained? (Yu. P. Velichko)</p>	<p>N. V. Gonchar: The asset operates two flares: one for gas flaring, the other for liquids. The first flare system is 125 metres high and attracts most of the attention because it is constantly flaring, which indicates normal operation of the plant. This flare is the plant security element. Gas burning is 22 times environmentally safer than the so-called "cold flare" technology (when gas is simply ventilated into ambient air). In such cases, methane damages the ozone layer, while heavy gas impurities can create an explosive cloud under certain climatic conditions. Depending on the production processes that take place at the plant, the flare can grow to a height of 60 metres. When scheduled or unscheduled shutdowns of equipment occur and gas surplus is released, increased flaring and smoke formation can be observed.</p> <p>Apart from shutdowns, arrivals of warm inert vessels can cause increased flaring and smoke formation. The company is open to the community: the company warns the community of the Korsakov District about works to be performed at the asset three weeks in advance through the local newspaper and by publishing information at the website of the Korsakov Administration.</p> <p>In terms of the safety level and performance, the LNG plant of the Sakhalin-2 project was recognised to be the leader among Shell plants following 2018 results. This information is available in 2018 Sustainable Development Report.</p>

	T. N. Gafarov: Another indicator among other oil and gas companies is oil-associated gas utilisation rate. According to the international standards, oil-associated gas utilisation rate should be at least 95%. The company achieves 97%.
Is Sakhalin Energy a wholly Russian company? (O. G. Shvetsova)	Sakhalin Energy is an international company. The shareholders of Sakhalin Energy are Gazprom (50% of shares + 1 share), British-Dutch Shell (27.5% of shares - 1 share) and two Japanese groups Mitsui (12.5% of shares) and Mitsubishi (10% of shares).
Does the Sustainable Development Report contain information on wages? I know that technical employees receive very low wages. (O. G. Shvetsova)	N. V. Gonchar: The wages are not stated in the report because this is confidential information. The company is not responsible for the level of wages at contractors'. The level of wages at the company depends on many factors: the employee's category, job duties, experience of work at the company, etc.
Does the company have any plans for development of other fields? (Yu. P. Velichko)	T. N. Gafarov: The company explores the possibility of implementing Train 3 Project. Various interactions with the existing subsoil users of the resource base on the shelf of Sakhalin are considered as part of this project. These are Sakhalin-1 and Sakhalin-3 projects N. V. Gonchar: The Production Sharing Agreement clearly states the fields Sakhalin Energy can develop. The company is currently developing the Lunskeye (mainly gas) and the Piltun-Astokhskoye (mainly oil) fields.
Have you settled the issue of the road from kilometre zero to Lunskey coast? (Yu. P. Velichko)	T. N. Gafarov: The company will update this issue and provide an answer at the subsequent meeting.

At the end of the meeting, those present thanked the company employees for the meeting and expressed the opinion that there were fewer questions to Sakhalin Energy than to other oil companies operating in the north of the island.

At the end of the meeting, Natalya Vladimirovna Gonchar thanked those present for participating in the meeting and invited them to give feedback on the meeting in the feedback questionnaire.