

Esso Highlands Limited



Papua New Guinea LNG Project

COMMUNITY SUPPORT STRATEGY SUMMARY

PGGP-EH-SPENV-000025

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1.0 INTRODUCTION

The Papua New Guinea (PNG) Liquefied Natural Gas (LNG) Project (the Project) is an integrated development that includes gas production and processing facilities in the Southern Highlands and Western Provinces of PNG, including liquefaction and storage facilities with capacity of 6.6 million tons per year. Over the life of the Project, it is expected that over nine trillion cubic feet of gas will be produced and sold, and the investment for the initial phase of the Project, excluding shipping costs, is estimated at US\$15 billion.

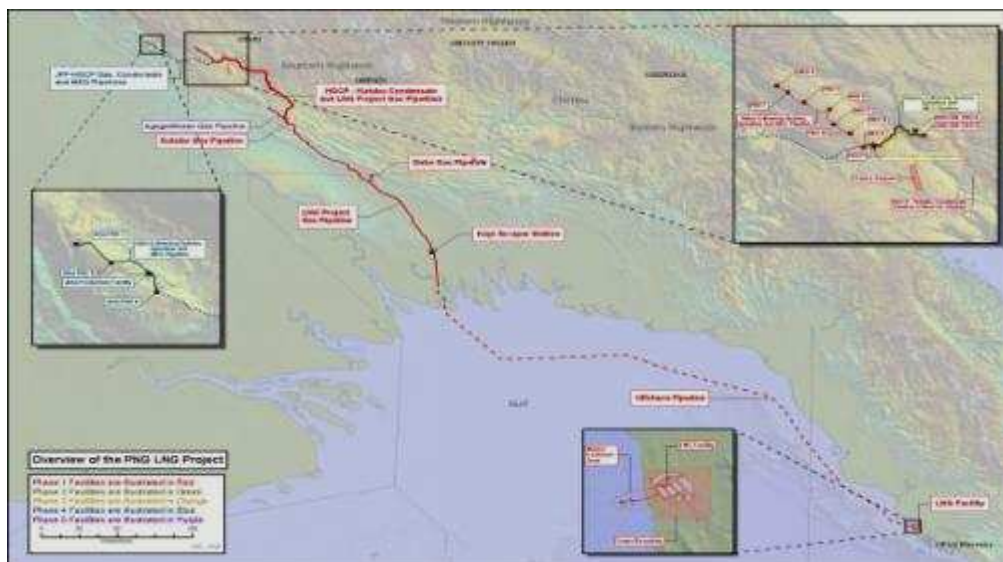


Figure 1.1 – PNG LNG Project Overview Map

Unlocking value from the extensive gas resources of the Southern Highlands region has the potential to benefit PNG communities by:

- Transforming the economy of PNG;
- Boosting Gross Domestic Product and export earnings;
- Provide a major increase in government revenue and royalty payments to landowners;
- Creating employment opportunities during construction and operations; and
- Providing a catalyst to further gas-based industry development.

It is anticipated that the Project's benefits will spread throughout PNG's economy as the government applies earnings from its share of Project revenues to social and economic programs. These programs have the potential to improve the quality of life of Papua New Guineans by reinforcing essential services and enhancing the country's productivity. Benefits will also flow through the economy as the wages of Project staff are spent and as suppliers provide a range of goods and services to the Project. Landowners stand to gain from Project royalties and equity dividends through the Benefit Sharing Agreements as defined in the *Oil and Gas Act (1998)* and from improved social and economic infrastructure.

The Project has developed a Community Support Strategy (CSS) with the purpose of:

- mitigating impacts that may contribute to community tension and conflict,
- promoting the development of conditions conducive to enhancing the livelihoods of communities in the Project Impact Area.

More specifically the CSS describes how the Project intends to develop and implement a range of community-focused initiatives that will promote the development of conditions conducive to establishing and maintaining a stable operating environment and in doing so, mitigate business risk.

2.0 PROJECT IMPACT AREA

The *Oil and Gas Act 1998* defines the Project Area as including landowners within a Petroleum Development License area and/or within up to a five kilometre buffer zone around dedicated project facilities such as pipelines, plant sites and support facilities. This definitive description of the Project Area is required for the purposes of identifying project beneficiaries.

When identifying communities that would be potentially affected by the Project, the PNG LNG Social Impact Assessment included some communities and areas outside the Project Area to account for people and places likely to be directly or indirectly effected by the Project and its associated benefit streams. This larger area includes 117 communities where the majority of activities are likely to be felt in the short-to-medium timeframe, and where the majority of the affected population presently resides.

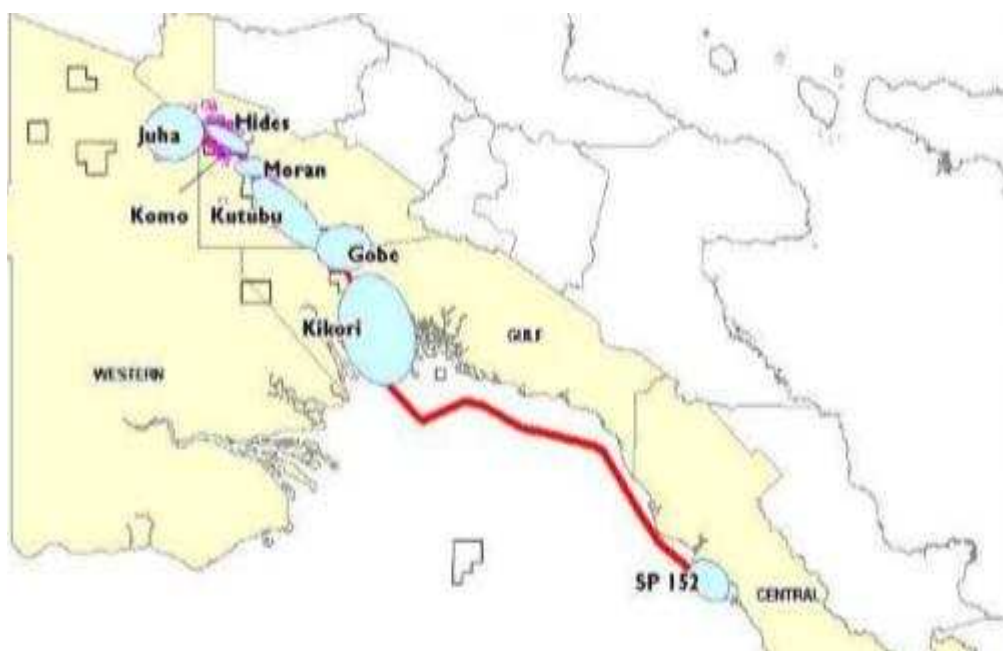


Figure 3.1 – Project Catchment areas

3.0 AIMS AND OBJECTIVES

The over-riding aim of the CSS is to support social development and ensure harmonious community relations, while avoiding marginalization of local communities. This could be achieved through:

- Enabling local communities to access benefits generated by the Project
- Enhancing the livelihoods of project affected communities in a cultural appropriate manner
- Restoring livelihoods of physically and economically displaced households
- Ensuring free, prior and informed consultation with project stakeholders
- Minimizing impacts of the Project on local communities

4.0 APPROACH

The CSS is based on a coordinated and integrated approach to community investment and involves support for:

- Infrastructure development;
- Promotion of sustainable economic growth;
- Environmental protection;
- Health;

- Education;
- Conflict resolution;
- Skills development; and
- Institutional development.

These activities will require the Project to:

- Engage in effective, transparent and culturally appropriate community consultation;
- Build trust between the Project, community members and stakeholders;
- Manage community expectations;
- Develop appropriate capacity in community, skills and experience;
- Mobilize core competencies to support the facilitation of community development support;
- Set measurable goals and progress reporting;
- Forge strategic partnerships; and
- Maximize sustainability to extend impacts beyond the Project involvement

A CSS Action Plan (CSSAP) has been prepared in order to specifically outline how the individual components of the CSS will be implemented. More detailed descriptions are presented in the individual plans, as illustrated in Figure 7.1.

The CSSAP also fulfils a number of Company policies and standards, complies with relevant local laws, and meets the requirements of international standards (Figure 7.1).

The CSSAP is a living document, requiring continuous review and update based on the latest information from the field. Key milestones, which would trigger the review and update of the CSSAP, are:

- Completion of studies and assessments
- Amendments to the Social Management Plan
- Significant changes in the Project description
- Annual review of CSS operations.

5.0 ORGANIZATION AND SCOPE

The CSS will be implemented via a series of plans and processes (Figure 7.1):

- The Benefit Sharing Agreement Process (Government owned);
- Company Resettlement Policy Framework & Resettlement Action Plans;
- National Content Plan;
- Company Stakeholder Engagement Plan;
- Community Development Support Plan
- Company Community Health, Safety and Security Management Plan; and
- The Company and Contractor Social Management Plans (Construction).

Community Support Strategy (CSS)

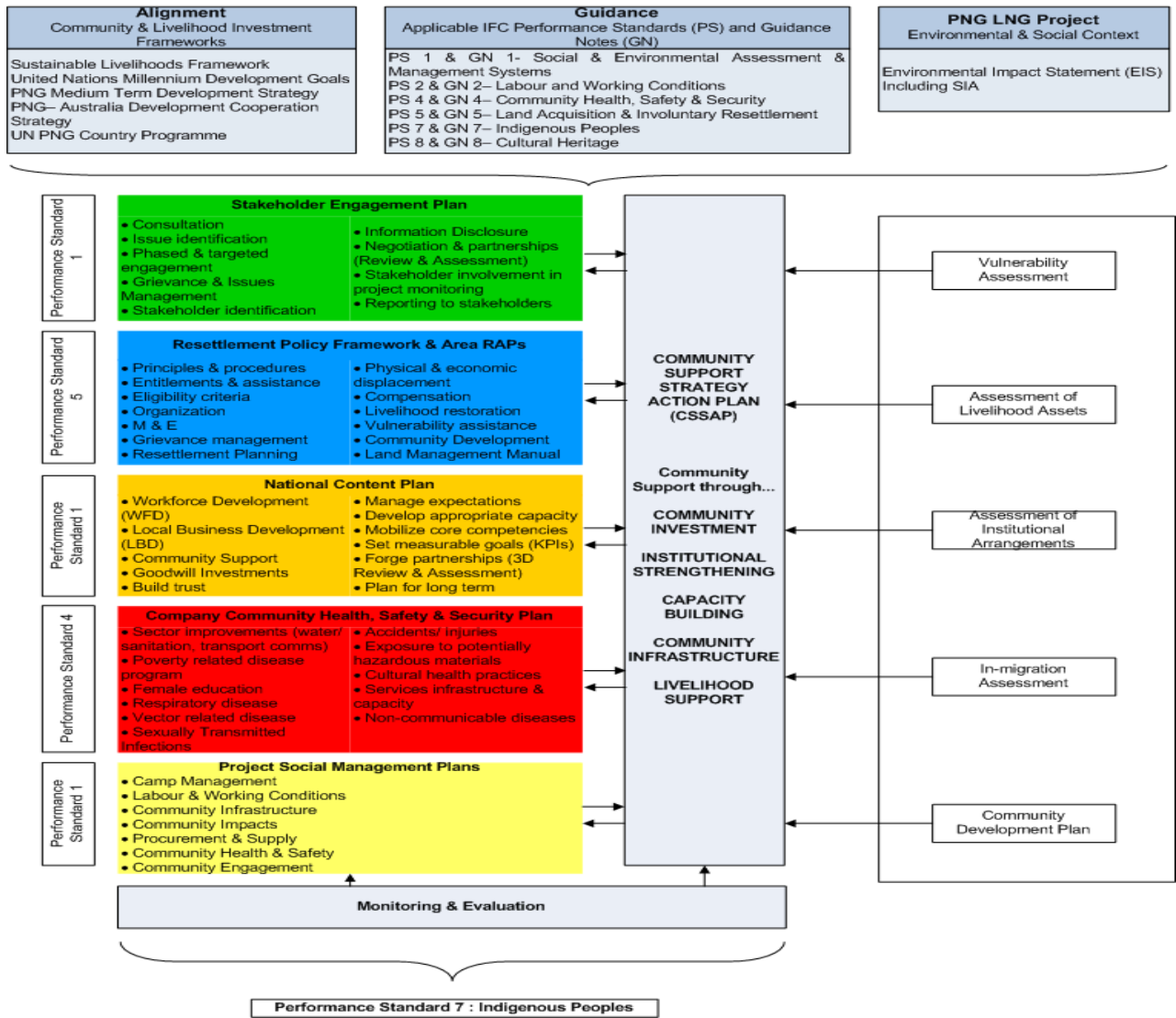


Figure 7.1 – Community Support Strategy Plans and Processes

6.0 ROLES AND RESPONSIBILITIES

Several teams work closely with the Project Management Teams and report to the Project Executive. The responsibilities of these teams relating to the CSS are as follows:

National Content Team

- Supporting, monitoring/evaluating the implementation of local workforce development.
- Supporting, monitoring/evaluating the implementation of local business development.
- Identifying and implementing projects from Strategic Community Investments.

Development Support

- Construction of resettlement housing
- Business Development
- Strategic Community Infrastructure Projects
- Rapid Implementation Projects (small community projects under <US\$5,000).

Land and Community Affairs

- Ongoing dialogue with communities.
- Identifying issues, grievances and concerns within the Project Impact Area communities, and facilitate appropriate responses and feedback.
- Identifying and executing additional studies, surveys, consultation and disclosure activities associated with the CSS
- Implementing overall mitigation measures related to the implementation of the CSS;
- Ongoing monitoring and evaluation of the CSS activities across the various teams;
- Providing guidance and direction to other teams to implement the CSS.

Project Teams

- Ongoing communication with communities.
- Implementing mitigation measures as described in the ESMP
- Identifying issues, grievances and concerns within the Project Impact Area communities.

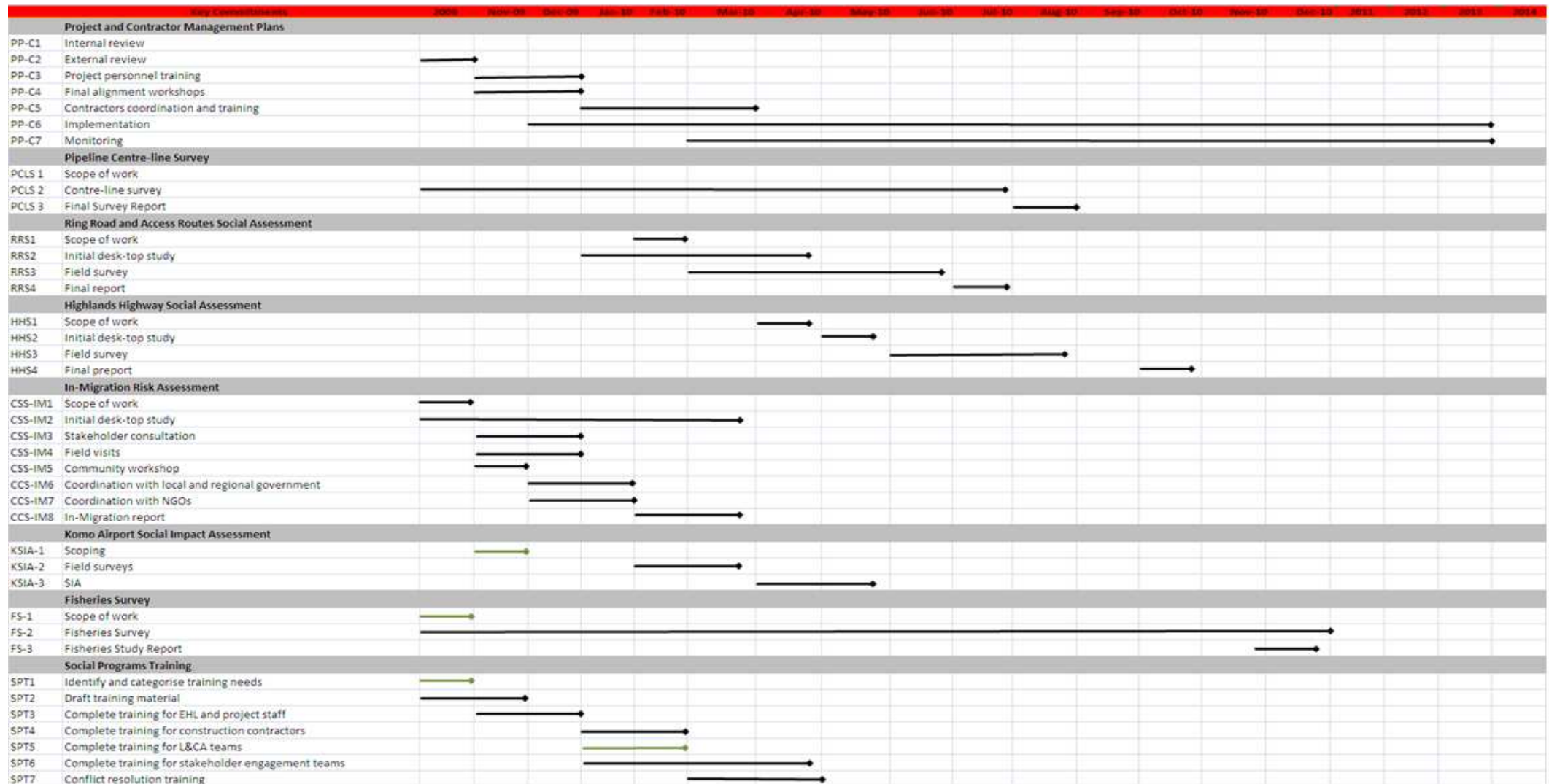
Public and Government Affairs

- Consultation with Government departments to support the implementation of the CSS and coordinating the involvement of the various Government levels where appropriate.

7.0 ESTIMATED TIMEFRAME







8.0 MONITORING AND EVALUATION FRAMEWORK

<u>Intervention logic</u>	<u>Indicators</u>	<u>Means of verification</u>	<u>Timeframe</u>
<u>AIM</u>			
Support social development and ensure harmonious community relations, while avoiding marginalization of local communities.	<ul style="list-style-type: none"> Implementation of the CSSAP 	<ul style="list-style-type: none"> CSS annual report Quarterly Environmental & Social Report 	Annually Quarterly (Construction Phase)
<u>OBJECTIVES</u>			
<ul style="list-style-type: none"> To enable local communities to access benefits generated by the Project 	<ul style="list-style-type: none"> Implementation of CDS 	<ul style="list-style-type: none"> Annual Reports 	Annually
<ul style="list-style-type: none"> Enhance the livelihoods of project affected communities in a cultural appropriate manner 	<ul style="list-style-type: none"> Implementation of the CSS 	<ul style="list-style-type: none"> Annual Reports 	Annually
<ul style="list-style-type: none"> Restore livelihoods of physically and economically displaced households 	<ul style="list-style-type: none"> Implementation of the RAP 	<ul style="list-style-type: none"> Annual Reports 	Annually
<ul style="list-style-type: none"> Ensure free, prior and informed consultation with project stakeholders 	<ul style="list-style-type: none"> Implementation of the SEP 	<ul style="list-style-type: none"> Annual Reports 	Annually
<ul style="list-style-type: none"> Minimize impacts of the Project on local communities 	<ul style="list-style-type: none"> Implementation of Project Management Plans 	<ul style="list-style-type: none"> Annual Reports 	Annually
<u>OUTPUTS</u>			
<ul style="list-style-type: none"> Workforce Development 	<ul style="list-style-type: none"> Construction of two Training Facilities 	<ul style="list-style-type: none"> Close out report 	June 2011
	<ul style="list-style-type: none"> Training of local worker - 1,000 students/year Training of 180 local students towards employment during operations On the job training of 20 graduates Train 16 local graduates to provide training Training of 1,000 truck drivers 	<ul style="list-style-type: none"> Annual training report 	December 2013
<ul style="list-style-type: none"> Local Business Development 	<ul style="list-style-type: none"> Provide management and operations capacity development to ALL LANCO's engaged on the Project 	<ul style="list-style-type: none"> Local Business Development Annual Report 	Annually

<u>Intervention logic</u>	<u>Indicators</u>	<u>Means of verification</u>	<u>Timeframe</u>
	<ul style="list-style-type: none"> Supply agreements in place with ALL LANCO's engaged on the Project 	<ul style="list-style-type: none"> Supply agreements on file 	Quarterly
	<ul style="list-style-type: none"> Establishment of an Enterprise Centre 	<ul style="list-style-type: none"> Close out report at commissioning of enterprise centre 	End 2010
	<ul style="list-style-type: none"> Appoint of 80% local suppliers off the database 	<ul style="list-style-type: none"> Work Orders allocated to local suppliers 	Annually
<ul style="list-style-type: none"> Community Development Support 	<ul style="list-style-type: none"> Community Development Support Plan in place and funded by the end of 2010 	<ul style="list-style-type: none"> CDSP Five-year work plan 	End 2011
	<ul style="list-style-type: none"> CDSP stated objectives achieved 	<ul style="list-style-type: none"> CDSP Annual Report Mid-term Review Final Review 	Annually Mid 2012 End Construction
<ul style="list-style-type: none"> Resettlement 	<ul style="list-style-type: none"> Resettlement Policy Framework in place 	<ul style="list-style-type: none"> Resettlement Policy Framework 	End 2009
	<ul style="list-style-type: none"> Compensation, relocation, restoration of all resettled households 	<ul style="list-style-type: none"> Resettlement and evaluation report 	Annually
<ul style="list-style-type: none"> Stakeholder Engagement 	<ul style="list-style-type: none"> Communication materials 	<ul style="list-style-type: none"> Portfolio of communication material 	Annually
	<ul style="list-style-type: none"> Up- to –date comprehensive stakeholder database 	<ul style="list-style-type: none"> Stakeholder Database 	Annually
	<ul style="list-style-type: none"> Grievance procedure in place and correctly documented 	<ul style="list-style-type: none"> Grievance Register 	Annually
	<ul style="list-style-type: none"> Up-to-date Issues and Response Report 	<ul style="list-style-type: none"> Issues and Response Register 	
<ul style="list-style-type: none"> Identification and management of project impacts 	<ul style="list-style-type: none"> Stated objectives of the Project and Contractor Management Plans achieved 	<ul style="list-style-type: none"> Audit report 	Annually
	<ul style="list-style-type: none"> Survey and assessments identified and completed as required 	<ul style="list-style-type: none"> Studies completed 	Annually