

**PNG LNG Quarterly  
Environmental and Social Report**

**First Quarter**

**2014**



**PNG LNG**

*Energy for the World. Opportunity for Papua New Guinea.  
Eneji Bilong Wol. Luksave Bilong Papua Niugini.*





## EXECUTIVE SUMMARY



### TRANSITIONING TO PRODUCTION

**“I am proud to be part of this industry. Our world-class PNG LNG facilities coming into production are testament to the outstanding efforts of our people.”**

**- Decie Autin, Project Executive,  
ExxonMobil PNG Limited**

The Papua New Guinea Liquefied Natural Gas (PNG LNG) Project (the Project) is nearing completion as commissioning and start-up activities progress and production begins at key facilities such as the Hides Gas Conditioning Plant (HGCP).

This is the seventeenth PNG LNG Quarterly Environmental and Social Report, which provides progress updates about the Project's construction, safety, health, security, social and environmental performance. This Report covers the progress of activities during the first quarter 2014.

ExxonMobil PNG Limited, a subsidiary of Exxon Mobil Corporation, is responsible for the Project's construction and operation. ExxonMobil PNG Limited is developing the Project with co-venturers: Oil Search Limited, National Petroleum Company of PNG (Kroton) Limited, Santos Limited, JX Nippon Oil and Gas Exploration Corporation, Mineral Resources Development Company Limited and Petromin PNG Holdings Limited, and their affiliates.

### Safety, health and security

Another quarter of exemplary safety results was achieved, with 41 million hours worked without a Lost Time Incident since July 2013.

The LNG Plant site, in particular, has accomplished a record 72 million hours worked without a Lost Time Incident from the first quarter 2012 to the end of this quarter. The LNG Plant also reported over 100 days without a recordable injury. Much of this success is attributed to the site's Incident and Injury Free® program. The program was introduced in the first quarter 2012 to provide workers and supervisors with insights and tools to better understand how their own attitudes and actions impact safety in the workplace.



*An Incident and Injury Free program recognition event*

The Project continues to use its 'Finish Strong' safety campaign to remind workers to keep themselves and their colleagues safe during the final stages of construction. The Project has also shifted the focus of safety education from construction-related hazards to working with energized facilities and hydrocarbons.

A key initiative undertaken this quarter was a joint Safety, Security, Health and Environment Leadership Workshop between the Construction and Production organizations. The workshop was held to transfer knowledge, experience and lessons learned to the Production team. More than 110 Project, Production organization, and contractor representatives participated in the event, which addressed themes such as preventing higher potential incidents, avoiding complacency, and planning for safe demobilization. The 2013 safety awards were also presented at the workshop.

Maintaining health systems and controls in camps and worksites during the transition to production was the focus of health activities this quarter.

The Project participated in awareness-raising activities for World Tuberculosis Day on March 24 by providing workers with information about tuberculosis prevention, symptoms and treatment. Information was provided through fact sheets, posters and presentations delivered during toolbox talks, lunch-and-learn sessions and site meetings.

The Project has also launched a joint community tuberculosis awareness-raising campaign with World Vision PNG. During the quarter, the Project facilitated a workshop in which findings from the Papua New Guinea Institute of Medical Research Integrated Health and Demographic Surveillance System were presented.

Support for community health services continues, with two doctors from the Texas Children's Hospital working with health practitioners in Papua New Guinea to improve maternal and child health care. During this quarter, they conducted health education, which included providing biomedical equipment training to Tari Hospital technicians in the Hela Province.

The transition of security services to the Production organization continues, with two expatriate security positions transferred to Papua New Guinean employees, adding to the four allocated in 2013.

Construction

The Project has completed all pipelines, and achieved other significant milestones with the initiation of Hides gas wells flowing to the HGCP, completion of the first delivery of condensate from the HGCP to the Kutubu Central Processing Facility, and the introduction of gas from the HGCP to the LNG Plant.

PIPELINES COMPLETE  
and start of gas production at the HGCP

Construction highlights are outlined in Table 1.

Table 1 – Contracts and construction highlights

Contract	Contractor	Major activities during the first quarter 2014
LNG Plant and Marine Facilities (EPC3)	Chiyoda and JGC Joint Venture	Gas from the HGCP introduced to Train 1 and drying (defrosting) of the plant commenced. Train 2 completed and handed over from the contractor to the Project.
Hides Gas Conditioning Plant and Hides Wellpads (EPC4)	CBI and Clough Joint Venture	Start of Hides gas wells production through the HGCP resulting in gas transport to the LNG Plant and condensate transport to the Kutubu Central Processing Facility.
Onshore Pipeline (EPC5A)	SpieCapag	Completed all onshore pipeline construction and reinstated the pipeline Right of Way.
Associated Gas Development	Various	Construction at the Gobe Production Facility and Kutubu Central Processing Facility neared completion.
Drilling	Nabors Drilling International Limited	Drilling Rig 702 completed drilling operations at Wellpad D and relocated to commence drilling at the produced water disposal wellpad. Drilling Rig 703 continues drilling operations at Wellpad G.
Permanent Facilities Compound	Leighton (PNG) Limited	Structural steel, the ground floor concrete slab and block work for the support services building completed.



LNG Plant site progress during this quarter

Workforce development

The total Project workforce stands at almost 7,800 as work scopes were completed. Papua New Guinean citizens represent 44 percent of the total workforce, compared with 38 percent recorded in the fourth quarter 2013.

Since construction began, the Project has provided more than 2.16 million hours of training through 12,400 programs. In this quarter alone, more than 30,200 hours of training was delivered to workers.

2.16+ MILLION HOURS  
of worker training completed

The second intake of Operations and Maintenance trainees began on-the-job training at Project worksites this quarter. The first intake continues on-the-job training in preparation for the Project's start-up and the production phase. The trainees have had the opportunity to play key roles in the Project's commissioning activities.



To support construction workers through the demobilization process, contractors are identifying opportunities where some workers can be retained for tasks such as reinstatement works. This approach is providing those workers with longer-term employment on the Project and enabling them to develop more diverse skills.

## Growing Papua New Guinean businesses

Project spend on landowner company (Lanco) services reached almost 160 million Kina (US\$66 million) this quarter. To date, the Project has spent more than 2.64 billion Kina (US\$1.09 billion) with Lancos.

Non-Lanco Papua New Guinean businesses also provide services to the Project. By the end of this quarter, more than 400 million Kina (US\$165 million) was spent on Lanco services and these additional services. The total in-country spend for the Project-to-date has reached more than 10.71 billion Kina (US\$4.42 billion).

More than 260 entrepreneurs sought assistance through the Enterprise Centre during this quarter, bringing the total number of people the Centre has assisted to almost 17,000. The Centre has provided the equivalent of more than 9,700 training days to Papua New Guinean businesses to date.

The Enterprise Centre's new PNG Employment and Supplier Database became operational this quarter, replacing the original PNG Supplier Database, which is being decommissioned. The new Database helps connect job seekers with job opportunities, and businesses with business opportunities, outside of the Project.

## 10.71+ BILLION KINA

spent in Papua New Guinea to date

## Environmental performance

The LNG Plant and Marine Facilities contractor has conducted joint inspections with the Project to determine reinstatement activities for temporary facilities, including several laydown areas and the concrete batching plant. Also during this quarter, final reinstatement and permanent erosion control works were completed along the onshore pipeline Right of Way.

Permanent reinstatement works are stabilizing areas that previously needed erosion and sediment control measures.

At the HGCP, reinstatement works are enabling effective permanent sediment control. Temporary silt fences and erosion control measures will remain until reinstatement is completed.

During high rainfall at the LNG Plant site in February, erosion and sediment was effectively controlled through permanent structures.

In January, the Project met with representatives from Conservation International, the Wildlife Conservation Society and The Nature Conservancy to allocate tasks for Protected Area Planning in the Kikori River Basin and to begin the stakeholder consultation process for the biodiversity offset program.

A Program Coordinator was engaged for the biodiversity offset program's Component 4 – Lake Kutubu Enhancement – and a meeting was held in Tugiri to introduce the Program Coordinator to local stakeholders and plan activities for 2014.



*Community members on the shores of Lake Kutubu*

Ambient air quality monitoring was undertaken during hydrocarbon flaring events this quarter. Monitoring results were well below the Project's approved criteria.

A review of the Hides Waste Management Facility was also undertaken to assess landfill space used to date, conduct an audit of expected demobilization wastes, and determine incinerator efficiency compared to forecast requirements. The review concluded that the Hides Waste Management Facility has more than sufficient capacity to manage waste from construction, demobilization and production activities.

Recycling and reuse of waste is used across Project sites in preference to landfill disposal. For example, during this quarter, 1,168 tonnes of scrap metal from the LNG Plant site was recycled through approved third party suppliers. The Onshore Pipeline contractor is also sorting scrap metal to be recycled at an approved third party facility.

## Social development

Papua New Guinea hosted its first Global Women in Management (GWIM) conference during this quarter. The conference, held in March, brought together 26 women from across the country to network and discuss how they could contribute to advancing their communities. The Centre for Development and Population Activities conducts the GWIM program. It aims to nurture management, leadership and technical skills in women so they can better contribute to the development of their communities.

To date, the Project has supported 49 Papua New Guinean women with participating in GWIM events, including international conferences held in Jakarta and Washington DC.

During this quarter, the Project also co-sponsored the first Papua New Guinean Women's Forum. United Nations Women, an organization dedicated to gender equality and the empowerment of women, organized the Forum, which was facilitated by the US Embassy. Key Papua New Guinean Government agencies also supported this Forum. More than 300 women in business, politics and community development in Papua New Guinea attended the event. Also during this quarter, the Project was allocated a board position with the newly established Business Coalition for Women. An initiative of the International Finance Corporation, the coalition works with Papua New Guinean businesses to improve workplace policies for women.

As part of its commitment to advancing women in Papua New Guinea, the Project partnered with the Women in Energy Network to celebrate International Women's Day on March 8. Guest speakers at a breakfast in Port Moresby, and a lunch held at the LNG Plant site, advocated for the elimination of all forms of violence against women.

The Project has donated a generator and committed 287,000 Kina (US\$118,500) to the Port Moresby Nature Park. The donation will be used to support excursions for some 10,000 school children who are expected to visit the Park during 2014. It will also help with the development and maintenance of animal exhibits, including the main walk-through bird exhibit, which was built in the early 1990s. Additionally, the funding will help develop a private animal research and breeding center for animals such as long-beaked echidnas and birds-of-paradise.

Through the support of a Project contractor, LNG Plant site villagers can now job search, build a résumé and directly email prospective employers at the new Laba Business Centre, which opened in February. The Centre is located in a facility the LNG Plant and Marine Facilities contractor donated near the Bank South Pacific branch at the LNG Plant site. It offers access to the internet, as well as résumé building, photographic, printing, photocopying, laminating and document scanning services.

The Project continues livelihood restoration activities, with the delivery of rations for resettled households completed during this quarter. The Project also completed standard of living evaluations for all physically displaced households and livelihood restoration surveys of economically displaced people. Early indications from data collected across all Project areas shows a general improvement in the standard of living and livelihood restoration of displaced people.

In February, ExxonMobil PNG Limited Managing Director, Peter Graham, was bestowed one of the highest honors from Her Majesty The Queen, when he was made a Commander of the British Empire for his services to the petroleum industry and the community through supporting social development initiatives in Papua New Guinea. Peter travelled to Buckingham Palace, London, to receive his award from His Royal Highness Charles, Prince of Wales.



*His Royal Highness Charles, Prince of Wales awards ExxonMobil PNG Limited Managing Director, Peter Graham, as Commander of the British Empire*

## Stakeholder and community engagement

On March 19, the Extractive Industries Transparency Initiative (EITI) Secretariat in Oslo, Norway, officially accepted Papua New Guinea as a candidate country. This followed the submission of the nation's application to the EITI in December 2013.



*Participants at the first GWIM conference in Papua New Guinea*

The Papua New Guinea EITI multi-stakeholder group, which was formed in November 2013, has begun working on a scoping study terms of reference, in coordination with the World Bank, to identify future revenue transparency challenges and solutions.

During this quarter, the Project conducted 80 formal community engagements with over 2,600 people in 26 communities. In addition, 184 informal engagements were conducted with over 7,400 individuals from 32 communities. Since construction began in 2010, the Project has successfully completed more than 4,000 community engagements, with almost 152,000 attendees.

Messages delivered during this quarter focused on safety near the pipeline Right of Way, road safety and updates about commissioning, start-up and construction demobilization activities.

As part of community engagement activities, the Project distributed 3,800 Toea children's books to elementary schools throughout the LNG Plant site villages as reading resources for students.

A team of more than 30 Project volunteers sorted books at the Buk Bilong Pikinini children's library this quarter. The Project also provided volunteer support at the Papua New Guinean Women's Forum and at the GWIM conference. Since 2012, the Project has contributed more than 3,000 volunteer hours, involving more than 500 employees who have participated in 11 engagements with not-for-profit organizations such as City Mission, Buk Bilong Pikinini children's library, the Port Moresby Nature Park and Transparency International.



***Decie Autin, Project Executive, ExxonMobil PNG Limited, was among the volunteers sorting books in support of the Buk Bilong Pikinini children's library***

In March, Papua New Guinea's new Department of Petroleum and Energy Minister, the Honorable Nixon Duban, received a briefing from senior Project representatives about the status of Project activities.

The Department of Petroleum and Energy is progressing clan vetting activities to identify beneficiary clans in Project-impacted areas and determine the appropriate distribution of benefits. The Project has supported the Department with these activities in all Project License Areas.

Also during this quarter, the Project hosted Australian Prime Minister, Tony Abbott, and Fijian President, Ratu Epeli Nailatikau, at the first of its advocacy workshops for 2014. This year's advocacy program is supporting the Project's transition from construction to production by engaging members of the Production team with senior government officials and regulators.

## **~152,000 ATTENDEES**

in community engagements to date

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The PNG LNG Project is demonstrating to the world – particularly the investment world – exactly what Papua New Guinea is capable of delivering. The success of this Project will help to usher in a new era of economic and social development for this diverse and strategically located nation.







**PNG LNG**

**[www.pnglng.com](http://www.pnglng.com)**

Port Moresby - Project Headquarters  
ExxonMobil PNG Limited  
Lawes Road, Munidubu Street  
GPO Box 118  
Konedobu, Port Moresby  
Papua New Guinea

Email: [pnglngproject@exxonmobil.com](mailto:pnglngproject@exxonmobil.com)

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