

Esso Highlands Limited



Papua New Guinea LNG Project

**HQ1-3 RAP ADDENDUM Number 2:
HIDES QUARRY 4 EXPANSION**

PGHU-EH-SPZZZ-410005

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ACRONYMS

Acronym	Definition
CCJV	Clough Curtain Joint Venture
EHL	Esso Highlands Limited
ELC	Environmental Law Centre
FRV	Full Replacement Value
HGDC	Hides Gas Development Corporation
HHS	Households
HQ1-3	Hides Quarries Sites 1, 2 and 3
HQ4	Hides Quarry Site 4
IPCA	In-Principle Compensation Agreement
LBBSA	License-Based Benefit Sharing Agreement
LNG	Liquefied Natural Gas
PNG	Papua New Guinea
PNG LNG	Papua New Guinea Liquefied Natural Gas Project
RAP	Resettlement Action Plan
RIT	Resettlement Implementation Team
SHP	Southern Highlands Province
VLO	Village Liaison Officer

1.0 INTRODUCTION

This Hides Quarries 1-3 Resettlement Action Plan (RAP) Addendum Number 2: Hides Quarry 4 Expansion amends the Hides Quarries 1-3 Resettlement Action Plan (HQ1-3 RAP). The latter is incorporated herein by reference.

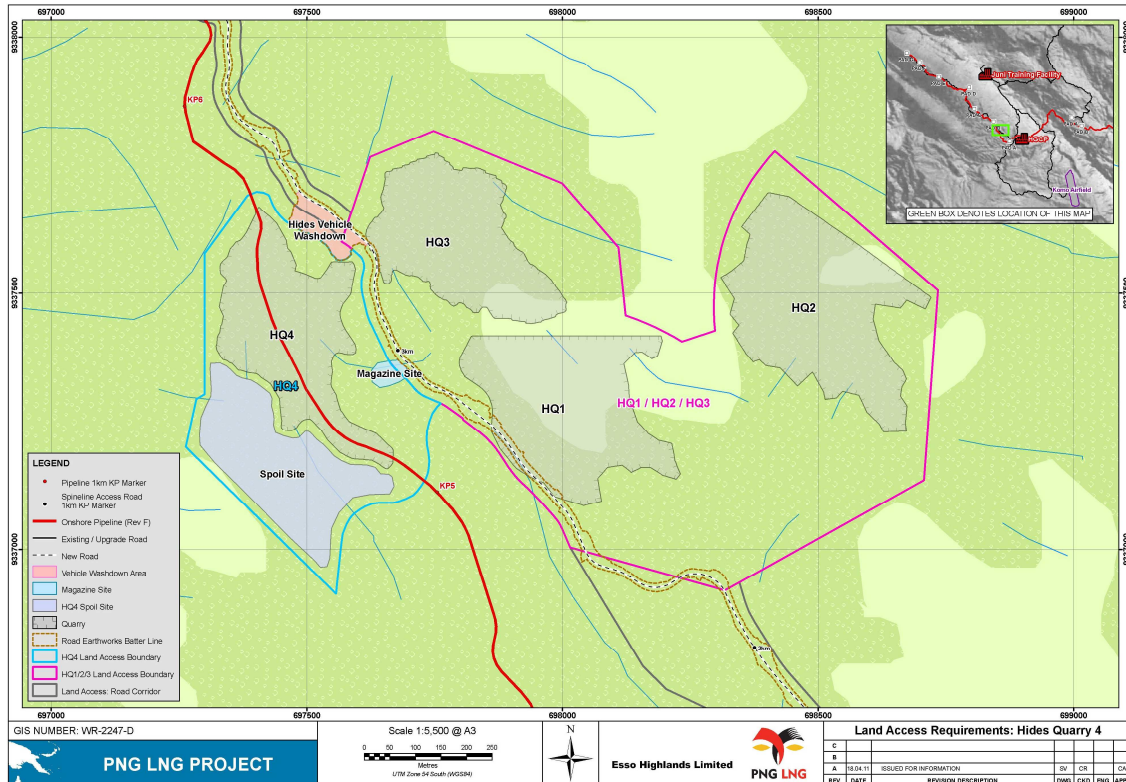


Figure 1-1: HQ4 Location and Land Requirement

This addendum describes limited economic impacts to communal land and forest areas resulting from PNG LNG construction in the Komo-Margarima District, Southern Highlands Province (SHP), Papua New Guinea. Project activities include expansion of the original HQ1-3 quarries to the west, into what is known as the HQ4 quarry site (Figure 1-1). The additional area required is uninhabited and considered unfavorable for Huli agriculture. Additional land access requirements amount to 22.0 ha, consisting of a quarry site of 7.9 ha, spoil site of 6.1 ha, a buffer and other land-use areas of 8.0 ha.

1.1 Resettlement Goal

The Project's overall resettlement goal is to design and implement resettlement in a manner that gives physically and economically displaced persons the opportunity to at least restore their livelihoods and standards of living. This addendum is consistent with goals, principles and processes in the Project's Resettlement Policy Framework (October 2009).

1.2 Site Selection and Avoiding/Limiting Resettlement

The Project is located along the southern sections of the Hides Ridge where infrastructure has existed since 1989 to provide gas to power the Porgera Mine. Between 1992 and 1993 further gas drilling and discoveries occurred. At over 6,000 ft, the area is unfavorable to Huli long-term occupation and intensive subsistence farming as it is too cold and wet. Sites needed are mostly non-residential land.

A survey of the area by the Community Affairs team has not identified any houses or gardens in the area. This was verified by the Coffey Environmental Survey (March 2011). Physical displacement is therefore not expected and economic displacement will be limited to the loss of communal forest land, as there are no private gardens in the proposed impact area.

1.3 Institutional and Legal Framework

The process will comply with legal requirements and criteria described in the HQ1-3 RAP.

2.0 SOCIO-ECONOMIC AND CULTURAL CONTEXT

2.1 Land Ownership

The primary clans owning land in the HQ4 area are the same as for the HQ1-3 area, with the Hagu and Warabia clans dominating the area followed by the Kela and Mugago clans. The exact extent of land ownership amongst these clans is in the process of being agreed by the clans in order for the Project to process clan payments for land damage and deprivation. Approval has however been granted by clan leaders to continue work on the site while this ownership is being agreed.

2.2 Demographics and Household Profile of Directly Affected Population

No additional census and socio-economic surveys were conducted for the expansion area as no direct physical or economic displacement is required.

2.3 Land Use

No additional land use surveys were conducted, as no privately owned gardens will be impacted by the expansion. Karuka trees (*Pandanus* spp.), from which nuts are collected, grow wild throughout the area. Some of these are claimed by individual families, in which case compensation at full replacement value will be paid directly to these families.

3.0 CONSULTATION AND DISCLOSURE

The landowners have become familiar with the project since the initial disclosure for the HQ1-3 quarries on 11 May 2010. Since then there have been a number of interactions with the community related to agreements on compensation packages, compensation advice, and livelihood programs. The formal disclosure meeting for the HQ4 area was held on 18 April 2011. ELC accompanied and assisted the Resettlement Implementation Team (RIT) with the disclosure.

A documents disclosure process is in place. It provides for public dissemination and distribution of this document and agreements in Huli and Pidgin.

3.1 Consultation and Disclosure Issues Raised

3.1.1 Regional Stakeholder Issues

A number of ongoing issues in the Hides area have affected resettlement plans and initiatives. These are discussed in detail in the HQ1-3 RAP: Section 5.7.1, and in the HQR-WPB Addendum, Number 1 (Section 3.1.2).

3.1.2 RIT Consultation Summary

Key issues raised during the disclosure meeting are summarized in Table 3-1.

Table 3-1: Hides Quarry 4 – Issues Raised

Question / Issue	Response
<ul style="list-style-type: none"> Bush Pandanus (karuka trees) are owned by families so should receive direct payment rather than payment through the clan package (IPCA payments). 	<ul style="list-style-type: none"> Payments will be made through IPCA payments where there is no clear family ownership. Direct payments will be made where family ownership can be verified.
<ul style="list-style-type: none"> What form of payment will be made to offset the environmental damage? 	<ul style="list-style-type: none"> Cash payments will be paid to the clan (appointed representatives) unless the clan would prefer the funds to be allocated to a business venture, identified in consultation with Project business development officers.
<ul style="list-style-type: none"> Why was a proper census & survey not done in the HQ4 footprint area? 	<ul style="list-style-type: none"> An assessment was undertaken but no gardens or houses were identified so census & survey were not required. Environmental damage / loss of forests will be paid by the Project.
<ul style="list-style-type: none"> Casual employees to be used in the construction of HQ4 should be taken from the landowners of HQ4. 	<ul style="list-style-type: none"> Casual engagement is the responsibility of CCJV and HGDC.
<ul style="list-style-type: none"> Payments of agricultural compensation for extended side casting areas have not been fully paid. 	<ul style="list-style-type: none"> The new areas affected are being surveyed to determine compensation and then payments will be made.
<ul style="list-style-type: none"> Will damages be paid if CCJV damages areas outside the demarcated boundary? 	<ul style="list-style-type: none"> Yes, any damages outside the boundary will be included in compensation payments.
<ul style="list-style-type: none"> Will rentals be paid from gravel pits at HQ4? 	<ul style="list-style-type: none"> Provision is included in the IPCA. Any increase will be dependant on CCJV.

4.0 PROJECT IMPACTS

Potential impacts and mitigation measures are summarized in Table 4-1.

Table 4-1: Summary of Impacts and Mitigation Measures

Impact	Scale	Mitigation – Project Responses
Residential structures affected	<ul style="list-style-type: none"> No primary residential structures. No physical displacement 	<ul style="list-style-type: none"> Should any physical structures be encountered then the same procedures will be adopted as detailed in the HQ1-3 RAP.
Loss of field & agricultural land	<ul style="list-style-type: none"> 22 ha of forest land will be required for the quarry area. The forest in the quarry pit (7.9 ha) and spoil site (6.1 ha) will be destroyed. The buffer and other land-use area (8.0 ha) will be available once the quarry is closed. 	<ul style="list-style-type: none"> The Company will pay the Landowning clans compensation as determined in the IPCA for each hectare of land occupied or damaged by the Company for depriving the Landowner(s) of the use of the surface of the land, for cutting the Landowner(s) off from other parts of their land, and for any loss or restriction of rights of way, in compliance with Section 118(2) (a), (c) and (d) of the Oil and Gas Act. (Details in HQ1-3 RAP)
Loss of trees and crops	<ul style="list-style-type: none"> No gardens or planted trees are expected to be affected. Individually owned karuka trees (<i>Pandanus</i> spp.) may be encountered. 	<ul style="list-style-type: none"> Landowners are entitled to one-off damage compensation payments. Compensation at full replacement value (FRV) will be paid for crop losses, should these be encountered, and for privately owned karuka trees.¹
Use (loss) of gravel	<ul style="list-style-type: none"> 7.9 ha area. Volume to be finalized once extraction rate known. 	<ul style="list-style-type: none"> The Company will pay royalty for every cubic meter of gravel, sand or stone within the HQ4, which is taken and used by the Company (contractor) for civil construction or maintenance works. This royalty was originally negotiated at K1.50 per cubic meter, plus a non-disruption premium of K0.30 per cubic meter. An increase in this rate is currently under negotiation.
Disruption in social networks	<ul style="list-style-type: none"> None expected 	<ul style="list-style-type: none"> Most households will self-relocate either to areas in close proximity along the ridgeline or to their alternative residential locales in the valley. Social networks with respect to exchange relations will continue as these are based on kinship, descent, affinity and friendship ties, not related per se to specific locales/areas.

¹ Karuka trees are scattered throughout the site, often in very inaccessible locations such as in sinkholes and on steep ridges. The process of identifying owners is a slow and lengthy, particularly as owners only visit the area a few times a year (normally just to harvest the cones containing the nuts) and the nature of the terrain. The following process will be adopted:

- Sections will be identified according to the development program – initial road access area, exploratory pits, quarry areas and spoil areas. The extent and order of these sections will depend on the distribution of limestone that will only become apparent after equipment can be moved to each site.
- L&CA officers will go onto each section with people who claim to have karuka trees. The notice that counting is to take place will be distributed by VLOs and clan leaders for a number of days before the counting takes place.
- Counting of each section will take several days, so anybody who does not hear about the counting prior to it commencing, will have ample time to visit the site and make a claim.
- The trees claimed by individuals will be counted and the counted trees will be blazed or painted (so they don't get counted twice, or even three times).
- The counting is done in the presence of other men and clan leaders, which avoids most false claims and disputes arising from false claims.
- The karuka are recorded, the documents used for these payments are prepared, cash obtained and the claimants paid.
- The rates used for the karuka will at the current rates.

Impact	Scale	Mitigation – Project Responses
Impacts on business and employment	<ul style="list-style-type: none"> None – there are no business ventures in this locale 	<ul style="list-style-type: none"> Impacted business infrastructure will be compensated based on procedures developed during consultation with affected stores, should these arise. No loss of employment anticipated.
Community services and facilities	<ul style="list-style-type: none"> No community infrastructure will be impacted by the development 	<ul style="list-style-type: none"> Households will remain where they presently reside.
Cultural Sites	<ul style="list-style-type: none"> Nine sites will be impacted 	<ul style="list-style-type: none"> Compensation schedules for range of cultural heritage sites. Skeletal material to be handled by PNG National Museum. Appropriate rituals to be undertaken by local landowners and caretakers of sites. Sacred stones and artifacts to be relocated by people themselves. Other material to be lodged with National Museum and overseen by archaeologists as per mitigation measures outlined in the Pre-Construction Survey Report.
Influx of migrants	<ul style="list-style-type: none"> Possible regional population increase and influx due to construction activities, improved services and employment opportunities 	<ul style="list-style-type: none"> The Hides ridgeline is unlikely to be an attractive locale for outsiders since it is too high for agriculture, cold and inhospitable. The Project is currently developing Project Induced In-Migration response plans using a community-based process. The outcomes of these activities will assist in developing an area specific plan for the Hides area. It is anticipated that these plans will be implemented by mid 2011.
Impact on water sources	<ul style="list-style-type: none"> No direct impact on water sources is expected 	<ul style="list-style-type: none"> The situation will be monitored during implementation and replacement water points provided should any be impacted, similar to those provided around the HGCP site.
Social Infrastructure	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Relocatees will benefit from the region-wide community infrastructure that will eventuate both from the Project discretionary programs and the Government commitments made in the LBBSA.
Vulnerable HHs	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> Households which are especially vulnerable to displacement impacts, e.g., the elderly, disabled or landless, will be identified and provided with special assistance, should these be identified during implementation.
Cumulative Impacts	<ul style="list-style-type: none"> Minimal – no physical relocation required. 	<ul style="list-style-type: none"> Clans have land around HQ4.

5.0 COMPENSATION AND RESETTLEMENT STRATEGY

Eligibility and entitlements relevant to the HQ4 Expansion area for statutory damage and deprivation compensation for land are the same as those described in detail in the HQ1-3 RAP (Section 7.2). Damage and deprivation payments will have regard for the customary classification of landowners with respect to their tenurial status and portfolio of land rights and responsibilities.

6.0 LIVELIHOODS RESTORATION

Physical resettlement is not expected, but should this occur, then the livelihoods restoration program will be implemented as described in the HQ1-3 RAPs (Section 8).

7.0 GRIEVANCE MANAGEMENT FRAMEWORK

The objective of the Project Grievance Mechanism is to receive, respond and address any grievances made to the Project. The grievance process is discussed in the HQ1-3 RAP Section 9.

8.0 ORGANIZATIONAL ROLES AND RESPONSIBILITIES

Responsibility for HQ expansion resettlement planning, implementation, and monitoring rests with the Company. Adequate resources and effective management will be allocated to ensure it is developed and implemented with the participation of affected people and communities in a timely manner.

9.0 MONITORING AND EVALUATION

Monitoring and evaluation provides information on whether compensation, resettlement, and development investments are providing positive inputs, and if corrective action is required.

10.0 RESETTLEMENT IMPLEMENTATION SCHEDULE

Table 10-1 describes tasks required to implement this addendum:

Table 10-1: Implementation Schedule

Activity/Task	Action	2011						
		F	M	A	M	J	J	A+
Planning	Completion of RAP Addendum							
Approvals	Internal EHL approval of the RAP Addendum							
	Submission of Addendum to Lenders							
	Internal approval of detailed implementation work plan							
	RAP Addendum Summary to community							
Confirm and finalize compensation agreements	Verify inventories of affected land and assets							
	Finalize entitlement contracts							
Compensation payments	Payments							
Graves, spiritual & other cultural sites	Relocate / recover							
Verification and monitoring (thru April 2013)	Design/implementation of monitoring/evaluation system							
	Local advocacy & compensation advisors							
	Internal monitoring (to 2013)							
	External evaluation (including completion audit)							

11.0 COST AND BUDGET ESTIMATE

Budget estimates total US\$0.17 million, which includes IPCA payments to clans, an allowance for private assets if encountered, and contingencies. The clans will also receive an annual rental payment of K700/ha.²

² All IPCA payments will be reviewed to confirm equivalence to full replacement value.