

Integrating IFC Performance Standards throughout the Project Lifecycle

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IFC Performance Standards



PS 1: Applicable to all projects
PS 2-8: Applicability determined on a by-project basis

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Objectives

- Describe the management system, documents and activities required or expected by the IFC Performance Standards
- Provide insight into useful tools and approaches for integrating IFC Performance Standards into a project
- Share information on challenges and lessons learned

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Agenda

- Management Systems
- Integrating IFC Performance Standards into Project Lifecycle
- Project Financing Case Study
- Key Recommendations for Projects Adopting the IFC Performance Standards

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Management Systems

IFC Performance Standards

- Project lifecycle approach to environmental and social risk management
- Implementation begins with integration into an existing management system (MS) or establishment of an Environmental and Social Management System (ESMS)

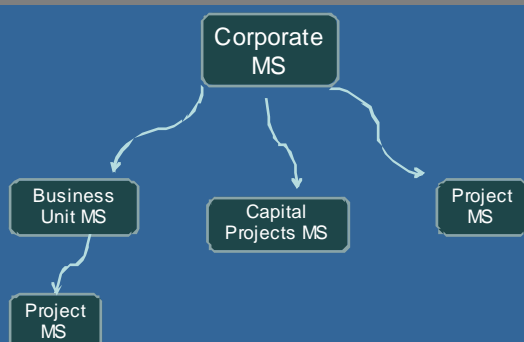
Management Systems

- Ensure a systematic approach to meeting objectives and implementing processes, plans and procedures needed to do so
- Many MS may be based on the 'plan, do, check, act' approach

Since the IFC PS are considered 'good international industry practice' some O&G companies' MS voluntarily conform to specific aspects of the IFC PS (e.g., IFC PS 5 Land Use and Involuntary Resettlement)

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Oil and Gas Company Management Systems



Structure within the company

- Operational
- HSE
- Environmental
- Social
- Sustainable Development

Types of MS

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IFC PS Management System

A project level Environmental and Social Management System (ESMS) that incorporates IFC PS and EHS Guidelines is required.

Approach

- Project lifecycle
- "Fit-for-purpose"
- Continuous
- Senior management support

Key Components

- E&S policy
- Risks and impacts identification
- Management programs
- Organizational capacity and competency
- Emergency preparedness and response
- Stakeholder engagement
- Monitoring and review

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IFC Performance Standards

1 2 3 4 5 6



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Integrating Environmental and Social (E&S) Performance

Project Lifecycle varies by company and project



- Seismic
- Drilling
- Project Development
- Operations
- Decommissioning (*not shown*)





























































Tables that follow provide *examples* of how IFC Performance Standards could be integrated into the project lifecycle:

- 1) **Project lifecycle** E&S performance – *highlights related IFC PS*
- 2) **ESIA process** timing by project lifecycle
- 3) **Project development** E&S Performance

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

Integrating E&S Performance Project Lifecycle

	General timeframe to execute
	On-going support, as needed

Environmental and Social Performance Activities and Documentation		IFC PS	Project Lifecycle Stages				
			New Prospect	Seismic Exploration	Drilling	Project Development	Operations
Risks and Issues	Environmental and Social (E&S) Due Diligence	PS 1					
	Human Rights Due Diligence	PS 1					
	E&S Risk Screenings and Workshops	PS 1					
	Organizational E&S Capacity Assessment	PS 1					
	New Country Entry Logistical Support	-					
	Community Perception Surveys	PS 1					
Compliance and Commitments	Regulatory Registers	PS 1					
	Regulatory Roadmaps or Action Plans	PS 1					
	Regulatory and Other Commitments Gap Assessment	PS 1					
	Environmental Permitting and Compliance Support	PS 1					
	Commitments Tracking	PS 1					
	Project Financing Planning	PS 1					

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Environmental and Social Performance Activities and Documentation		IFC PS	Project Lifecycle Stages				
			New Prospect	Seismic Exploration	Drilling	Project Development	Operation
Impact Assessment and Management	E&S Impact Screening and Scoping	PS 1					
	E&S Baseline Studies	PS 1 - 8					
	Environmental and Social Impact Assessment (ESIA)	PS 1 - 8					
	Human Rights Impact Assessment (HRIA)	PS 1					
	Environmental and Social Impact Management Plan (ESMP)	PS 1 - 8					
	GHG Quantification	PS 3					
	Chance Finds Procedure	PS 8					
	Biodiversity Action Plan (BAP)	PS 6					
	Resettlement Framework	PS 5					
	Resettlement Action Plan	PS 5					
Human Rights Management Plan (HRMP)	PS 1, 2, 4, 5, 7						

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Integrating E&S Performance Project Lifecycle

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	On-going support, as needed

Environmental and Social Performance Activities and Documentation <i>(examples)</i>		IFC PS	Project Lifecycle Stages				
			New Prospect	Seismic Exploration	Drilling	Project Development	Operation
Stakeholder Engagement	Stakeholder Register	PS 1					
	Stakeholder Identification and Analysis	PS 1					
	Stakeholder Engagement Framework and Management Plan	PS 1					
	Public Consultation and Disclosure Plan (PSDP)	PS 1					
	Grievance Mechanisms	PS 1					
	Indigenous Peoples Plans	PS 7					
Community Investment	Community Development Needs Assessment	-					
	Community Investment Plan	-					
Training and Capacity Building	E&S Skills Training and Development - Employees and Contractors	PS 1					
	IFC Performance Standards Training	PS 1					
	Capacity Building - Host-Country Government and Communities	PS 1					
Monitoring and Evaluation	Environmental and Social Performance Audits	PS 1					
	Evaluation of Environmental and Social Monitoring Programs	-					
	NGO or Community Participatory Monitoring Program	PS 1 and 7					

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Integrating E&S Performance ESIA Process - Timing

Environmental and Social Impact Assessment (ESIA) Process						
Screening	Scoping	Baseline Studies	Assess Impacts & Develop ESIA Mgmt Plan	Public Consultation	Finalize	Monitoring and Evaluation
Seismic: 10-12 months prior to survey Drilling: 12-14 months prior to spud Project: 14-20 months prior to construction and installation	Seismic: 8-12 months prior to survey Drilling: 10-12 months prior to spud Project: 14-18 months prior to construction and installation	Project: 10-16 months prior to construction and installation	Seismic: 4-8 months prior to survey Drilling: 6-10 months prior to spud Project: 6-10 months prior to construction and installation	Seismic: 2-4 months prior to survey Drilling: 4-6 months prior to spud Project: 4-8 months prior to construction and installation	Seismic: 2 months prior to survey Drilling: 2-4 months prior to spud Project: 3-6 months prior to construction and installation	During and after start of activities

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Integrating E&S Performance Project Development

Primary Topic	Activities and Documents	Project Development																								Hook-Up and Commissioning
		Concept	Pre-FEED				Front End Engineering Design				Detailed Design and Procurement				Installation and Construction											
		Year 1	Year 1	Year 1	Year 1	Year 2	Year 2	Year 2	Year 2	Year 3	Year 3	Year 3	Year 3	Year 4	Year 4	Year 4	Year 4	Year 5	Year 5	Year 5	Year 5	Year 6	Year 6	Year 6	Year 6	
Regulations and Standards	Develop Regulatory and Commitments Register																									
	Develop Regulatory / Permitting Roadmap																									
Contractor Management	Identify all E&S performance drivers																									
	Develop commitments framework/register for permitting, regulations, internal standards and other prospective E&S project commitments																									
ESIA	Develop contractor EHS checklist for procurement / bid packages																									
	Draft Contractor Management Plan																									
ESIA	Draft initial project summary																									
	Identify general geographic scope of ESIA																									
Stakeholders	High level identification of potentially																									
	Facilitate an ENVID and/or SocialID Workshop																									
Stakeholders	Identify alternatives for project footprint																									
	Identify and analyze stakeholders - Stakeholder Register and Stakeholder Mapping																									
EHS	Develop Stakeholder Strategy or Framework																									
	Develop environmental design documents and studies																									
Human Rights	Pre-screen contractors or service providers for EHS systems and management																									
	Human rights due diligence of contractors or service providers																									
EHS	Develop health and safety design documents																									
	Facilitate HAZID Workshop																									
ESIA	Facilitate HAZOP Workshops																									
	Integrate EHS design elements and alternatives analysis into project design																									
ESIA	ESIA Kick-Off Meeting																									
	Develop high-level project description																									
ESIA	Identify studies and scope of studies required																									
	Define the project's area of influence for the																									
ESIA	Develop ESIA Terms of Reference (ToR)																									
	Sub-contract local ESIA partner, as needed																									
ESIA	Outline or develop legal, regulatory and																									

Important to develop E&S studies and plans in close coordination with project activities and milestones.

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Integrating E&S Performance Project Development

Primary Topic	Activities and Documents	Project Development																							
		Concept				Pre-FEED				Front End Engineering				Detailed Design and Procurement				Installation and Construction				Hook-Up and Comm.			
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24
Stakeholders	Facilitate Stakeholder Analysis and Planning Workshops																								
	Stakeholder Engagement, e.g., Community Perception Survey and an initial consultation to scope ESIA																								
	Sub-contract sampling or surveying																								
ESIA	Environmental sampling																								
	Primary data collection on communities																								
	Complete project description																								
	Complete baseline																								
	Complete legal, regulatory and administrative framework																								
ESMP	Evaluate impacts and risks of project activities on receptors																								
	Evaluate cumulative impacts and transboundary impacts																								
	Develop mitigation measures																								
	Develop Waste Management Plan(s)																								
	Develop Discharge / Stormwater																								
EHS	Develop Air Emissions Plan, as needed																								
	Develop Emergency Response Plans																								
	Develop Hazardous Materials Management and Transportation Plans, as needed																								
	Develop Biodiversity Action and Management Plan, as needed																								
	Develop plan to manage facility H&S																								
Community Investment	Develop Community Development Needs Assessment, incorporating social baseline																								
	Develop Community Investment Plan																								
Stakeholders	Develop draft of Grievance Mechanism																								
ESIA	Assign roles, responsibilities, key performance indicators, monitoring,																								
	Identify internal and external resources to implement management plan																								
	Develop non-technical summary of draft																								
	Disseminate non-technical and full versions of ESIA for public disclosure																								

Integrating E&S Performance Project Development

Primary Topic	Activities and Documents	Project Development																							
		Concept				Pre-FEED				Front End Engineering				Detailed Design and Procurement				Installation and Construction				Hook-Up and Comm.			
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24
Stakeholders	Consult public on non-technical summary of draft ESIA																								
ESIA	Develop summary of meetings, including any commitments made or new risks or impacts identified, and incorporate into																								
Monitoring and Evaluation	Develop participatory monitoring program, in conjunction with affected communities and NGOs (if needed)																								
Community Investment	Implement Community Investment Plan																								
Stakeholders	Continue other forms of stakeholder engagement																								
Regulations and Standards	Incorporate key aspects of ESIA management plan and public consultation outcomes into project's risk register and/or commitments register																								
Contractor Management	Update Contractor Management Plan or associated documents, as needed, to incorporate contractors' role in ESMP																								
ESIA	Finalize ESIA																								
ESMP	Submit to appropriate entities for licensing or other approval																								
ESMP	Follow up with licensing or approving authorities																								
ESMP	Implement ESMP																								
Monitoring and Evaluation	Record and monitor implementation of ESMP, as appropriate																								
Stakeholders	Report and disclose project progress, EHS incidents and community incidents to communities, financiers and other																								
Contractor Management	Implement and monitor contractor management plan																								
Monitoring and Evaluation	Participatory monitoring from community members for certain key impacts or risks																								
ESMP	Independent review by third parties (e.g. project financing consultant)																								
ESMP	Periodic review/update of ESMP with any new regulatory, company or other																								

Case Study: Sakhalin II Oil and Gas Project – Offshore Production and Pipelines and Onshore LNG and Pipelines

THE PROJECT

Commercial development of an oil and gas field off Sakhalin Island, Russia with (i) three offshore oil and gas platforms, (ii) 300 km subsea pipelines to shore, and (iii) 1600km onshore pipelines to Russia's 1st LNG terminal (10 mil ton/yr. capacity).

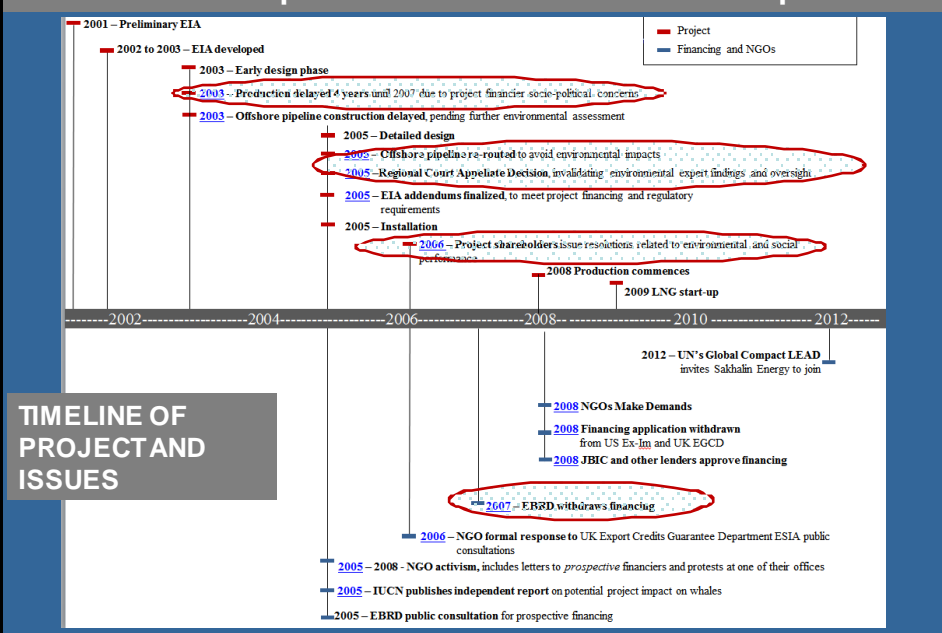
- **Project financing:** \$5.3 billion total, \$3.7 billion from Japan Bank for International Cooperation (2008)
 - First project [to use JICA loans](#) in Russia
 - Loan expected to (i) increase energy independence/supply in Asia Pacific, incl. Japan and (ii) enhance Japanese-Russian cooperation

- **Workers:** 25,000 construction workers during peak

- **Category A**



Case Study: Sakhalin II Oil and Gas Project – Offshore Production and Pipelines and Onshore LNG and Pipelines



Case Study: Sakhalin II Oil and Gas Project – Offshore Production and Pipelines and Onshore LNG and Pipelines

THE ISSUES (continued)

- **Environmental violations and shareholder resolutions on environmental and social performance** result in Sakhalin Energy changing its behavior and its majority shareholder....
- **Project financing lost from EBRD in 2007 due to**
 - Change in Sakhalin Energy Investment Company structure
 - NGO concern about impact on Gray Whales
 - Russian government's alleged environmental permit violations
 - Unfeasible project schedule
- Sakhalin Energy **withdrew** financing applications from US Ex-Im and UK EGCD in 2008
- Project financing from Japan Bank for International Cooperation (JBIC) and a consortium of lenders in 2008 required extensive negotiations and consultations
 - Negotiations lasted 5 years
 - During due diligence, particularly re: effects of a major oil spill, JBIC hosted 13 public forums and co-hosted town hall meetings with the project
- **Ultimately project receives praise and recognition**
 - Sakhalin Energy is first and the only Russian company selected to join Corporate Sustainability Leadership - Global Compact LEAD, an initiative launched within the framework of the UN Global Compact



Source: <http://earthopenetwork.net/oru/my/chartmap.php?id=2257>

Case Study: Sakhalin II Oil and Gas Project – Offshore Production and Pipelines and Onshore LNG and Pipelines

TAKEAWAYS

- Environmental and social concerns can contribute to loss of project financing support
- Complex and high risk investment projects require extensive public consultations, including consultations conducted by prospective project lenders.
- Potential environmental impacts can cause project re-design; early identification and early assessment of alternatives is needed to prevent delays and increased costs
- NGOs may form solely to be the project's watchdog or lobby against it, particularly if vulnerable or sensitive human populations or biodiversity involved
- Poor environmental or social track record does *not* preclude a project from taking corrective action and re-building its reputation so that it can become recognized as a responsible, good corporate citizen.

Key Recommendations for Integrating into Projects

Departments or functions involved or affected

- Environmental, health and safety performance
- Process safety and design
- Government and public affairs
- Communications and media
- Legal and compliance
- Human resources
- Contract management
- Procurement
- Security
- Finance
- Audit
- Risk

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Key Recommendations for Integrating into Projects

Resources

- Budget – costs to develop and implement E&S documents and plans, program and on-going implementation and monitoring
- Personnel – local and international team
 - Staff
 - Consultants

Strategic Planning

- Insight into company structure and direction
- Early integration into existing project planning, risk management, safety, environmental, legal/compliance, communications, government affairs processes and activities
- Cross-functional collaboration
- Prepare utilizing strong project management as well as flexibility to incorporate external stakeholder viewpoints and opinions
- On-going communication, early with lenders and other stakeholders

Senior Leader Ownership and Buy-in

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Thank You

Questions?

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