ENVIRONMENTAL REVIEW SUMMARY (ERS)

Project Name	Brazil UP Offshore	
Region	South America	
Sector	E-AC - Water Transportation	
Project No.	11415	28 May 2002

Project Description

The project consists of the acquisition and management of up to ten (10) offshore platform supply vessels (PSV). Each vessel, which will be approximately 3,000 Dead Weight Tons (DWT), will service the oil and gas industry's offshore platforms on the Brazilian Atlantic shelf. PSVs are specialized offshore supply vessels (OSV) that are characteristically involved in supplying offshore drilling and production facilities with myriad supplies including equipment, pipes, lubricants, chemicals and drilling mud. PSVs can also be tasked to perform oil recovery operations in case of an oil spill at an offshore platform.

Environmental and Social Issues

This is a category B project according to IFC's environmental review procedure because specific impacts may result that can be avoided or mitigated by adhering to generally recognized performance standards, guidelines or design criteria. The review of this project consisted of appraising technical and environmental information, including specialist contactor reports. The following potential environmental, social, health and safety impacts of the project were analyzed.

- Platform Service Vessel (PSV) design;
- PSV construction;
- PSV registry and national convention requirements;
- PSV management;
- Crew training requirements;
- Supplemental vessel inspections; and
- Onshore support facilities.

The following paragraphs provide a discussion of how each of these potential impacts will be mitigated in the Company's project.

1. Platform Service Vessel (PSV) design. Deep-water offshore oil and gas exploration and production mandate larger PSVs equipped with high technology

positioning and stabilization gear. UP Offshore's selected PSV design (Vik-Sandik-3012) is the latest technology available. Vik-Sandvik's proposed PSV design model testing to verify acceptable responses to weight, deck areas, loads, and sea states is complete; and, UP Offshore will provide third party verification of trials to IFC. DP-1 or DP2 stabilization systems (station position maintenance equipment), bilge water oil separation systems, and other fittings and controls will be incorporated into the specifications to facilitate contracting, reduce vessel O&M costs, and to comply with international marine regulations and rules.

2. PSV construction. Shipyards selected for UP Offshore PSV construction will be required to have an acceptable resume in vessel construction, have proper equipment for cutting and assembly of steel plate, and to provide engineering support and quality control procedures to ensure delivery of the designer's concept.

3. PSV registry and national convention requirements. Brazil and Panama, which are the flag states under which UP Offshore PSV ships will operate, are signatories to the principal International Maritime Organization (IMO) conventions. These requirements are far reaching and effectively address typical environmental and social issues of concern in IFC investments. All PSVs will be equipped and fitted with controls in compliance with these regulations and will be periodically inspected by marine classification societies. Additionally, all ships will be required to comply with applicable, contracted scope of work-triggered regulations and to hold valid certificates.

4. Vessel management. Ravenscroft Shipping, Inc. currently manages the existing Ultrapetrol (UP Offshore parent company) fleet. These vessels currently comply with international maritime rules and regulations and have the required certifications. UP Offshore Panama and UP Offshore Brazil PSVs (managed by Ravenscroft) must comply with IMO operations requirements including: MARPOL[1], SOLAS[2], and ISM[3] (mandatory under SOLAS, to be implemented no later than 1 July 2002); and STCW[4]. Ravenscroft Shipping Inc. is evaluated for compliance by third party firms such as Bureau Veritas. UP Offshore contracts with Ravenscroft will capture all relevant IMO and national requirements and contain penalty clauses for significant violations or failures. Ravencroft's procedures for Emergency Preparedness provide for disaster response in cases of ship casualty, crew casualty or marine pollution as required by the ISM Code. Every vessel will be equipped with a copy of Shipboard Safety Management

[1] MARPOL - International Convention for the Prevention of Pollution from Ships, 1973, as modified by the Protocol of 1978 relating thereto (MARPOL 73/78).
[2] SOLAS – International Convention for the Safety of life at Sea, 1974
[3] ISM – International Management Code for the Safe Operation of Ships and for Pollution Prevention, 1998
[4] STCW - International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1995

Procedures, as required by ISM Code, and will carry a valid International Oil Pollution Prevention (IOPP) Certificate.

5. Crew training. PSV master, first mate, engineer and electrician training requirements will include STCW-95 (International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1995), training at shore facilities in Brazil, Argentina, and USA; bridge resource management; ship simulators; dynamic positioning; engine room simulators; and onboard crew training skills to ensure Brazilian staff work with experienced PSV crew.

6. Supplemental vessel inspections. PSV's will be inspected regularly by chartering oil companies. The Vessel Inspection Questionnaire issued by Oil Companies International Marine Forum (OCIMF) will guide inspections. The objective of these inspections is to confirm compliance with, among other requirements, MARPOL, SOLAS, ISM, STCW by demonstration of certification and documentation related to crew and safety management, navigation, pollution prevention, and structural condition.

7. Onshore support facilities. UP Offshore intends to charter PSVs with oil companies with offshore operations. Onshore operations will be owned and operated by the chartering firms. In the event that UP Offshore develops or leases onshore operations to support PSVs, these facilities will be designed, constructed and operated to comply with applicable Brazilian and Panamanian national regulatory and IFC and World Bank Group guidelines.

8. Based on its review of available information regarding potential environmental and social impacts and specific mitigation measures described in the attached Corrective Action Plan, IFC concludes that the proposed project is being designed to meet Brazilian government regulatory requirements as well as World Bank policies, and environmental, social, health and safety guidelines.

9. IFC will monitor compliance with Brazilian, Panamanian and international maritime regulations and World Bank policies and guidelines during the life of the project. UP Offshore will submit annual environmental performance reports and, periodically, copies of audits and other compliance reports to IFC to demonstrate ongoing compliance. IFC will evaluate these reports and UP Offshore's proposed remedial measures as needed to maintain compliance. If deemed necessary, IFC will conduct periodic in country reviews during project supervision.

UP OFFSHORE CORRECTIVE ACTION PLAN		
Environmental, Health and Safety Action Item		**Required Completion Date**
1. Provide third party verification of dynamic model testing, to verify acceptable responses to weight, deck areas, loads, and sea states for Vik-Sandvik's proposed PSV model. Demonstrate incorporation of vessel design modifications to the Vik-Sandvik's proposed PSV model, as needed from dynamic model testing. . Incorporate DP-1 or DP2 stabilization systems (station position maintenance equipment), bilge water oil separation systems. .		Prior to placement of firm order with shipbuilder for vessel construction.
2. Demonstrate shipyard competence. Requirements include an acceptable resume in vessel construction, proper equipment for cutting and assembly of steel plate, engineering support and quality control procedures.		Prior to placement of firm order with shipbuilder for each vessel; condition of disbursements.
3. Demonstrate compliance with flag registration countries, International Maritime Organization and applicable regulatory requirements created through contract scope of work activity.		Prior to commencement of service under new and/or revised charter contracts for each vessel.
4. Provide documentation demonstrating that PSV master, first mate, engineer and electrician have been trained and certified in STCW-95 (International Convention on Standards of Training, Certification and Watchkeeping for Seafarers, 1995), and onboard crew training capabilities to ensure Brazilian staff work with experienced PSV crew.		Prior to commencement of service under new and/or revised charter contracts for each vessel.
5. Demonstrate that each vessel fully complies with ISM code applicable to its service and that the vessel has obtained required compliance documents from a third party (e.g. Bureau Veritas). .		Annually and prior to commencement of service under new and/or revised charter contracts for each vessel.
6. Provide contract with Ravenscroft or other vessel management company (in the event Ravenscroft is replaced) for vessel management demonstrating penalties for compliance shortcomings and failures.		Prior to disbursement for existing contract and prior to notice to proceed for any new contract.

UP OFFSHORE CORRECTIVE ACTION PLAN		
Environmental, Health and Safety Action Item		**Required Completion Date**
7. The company is required to demonstrate ability of installations and facilities, management and operations plans, and employee training programs to comply with Brazilian regulatory and IFC and World Bank Group policy and guideline requirements for any onshore facilities leased or operated by UP offshore.		Prior to signature agreements for UP Offshore-managed onshore support and/or fueling facilities, and annually after commencement of operations.