



**CAIRN ENERGY COMPANIES
in BANGLADESH**

**FRAMEWORK RESETTLEMENT
ACTION PLAN (RAP)**

February 2006

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1 INTRODUCTION

In Bangladesh, Cairn operates the offshore Sangu gas field with an onshore processing plant located near Chittagong, and operates exploration activities in Block 16 (offshore), and Blocks 5 and 10 onshore. It also holds a non-operated interest Block 7 onshore.

The Sangu gas field development comprises an onshore gas processing facility in Chillimpur near Chittagong; a small, unmanned offshore platform in the Bay of Bengal located at about 48 km southwest of Chillimpur; and a sub-sea pipeline to transfer produced gas and liquids from the platform to the Sangu facility. Gas production started in June, 1998. The Sangu Joint Venture (JV) comprises Cairn Energy Bangladesh Ltd (Cairn) and Halliburton Brown & Root Ltd (HBR). Cairn is the operator of the JV.

The Sangu JV are currently considering two projects, the development of the South Sangu Field, approximately 5.5 km south east of the Sangu platform, and the installation of a new bypass pipeline connecting the onshore gas processing facility to the Chittagong ring main.

Cairn is an existing client of the International Finance Corporation (IFC) and additional investment is being sought from the IFC to help finance Cairn's capital expenditure program (the "Project") in India and Bangladesh, including the potential development of the South Sangu Field and new bypass pipeline. In order to assess and develop these projects, a Right of Way (ROW) over additional land may be required.

Cairn has prepared a Group Framework Resettlement Action Plan (RAP) which clearly outlines the principles and objectives to be followed in acquiring land for any of its operations and in providing associated compensation covering loss of the use of land, physical displacement, impacts to assets such as built structures, seasonal and perennial crops and impacts to livelihoods. Provision has also been made for more detailed specific RAPs to be prepared for each of the existing and future oil and gas fields where there is a need for land acquisition and compensation.

All of the RAPs have, or will be prepared, in accordance with national and local legislation and regulatory requirements, and in accordance with IFCs Policies and Guidelines (in particular Operational Directive 4.30: Involuntary Resettlement). Cognizance will also be taken of the requirements of IFC's draft Safeguard Policies and new Performance Standard 5 (Land Acquisition and Involuntary Resettlement) which are expected to become effective in 2006, in preparing these RAPs.

This Framework RAP covers CECiB's operations in Bangladesh. It describes the existing land acquisition and compensation process undertaken in accordance with the 'Acquisition and Requisition of Immovable Property Ordinance 1982' (ARIPO) which governs land acquisition in Bangladesh. This very comprehensive legislation addresses all the facets of the land acquisition process in detail and provides a creditable mechanism to determine the quantum of compensation. The Framework RAP also addresses means to close some gaps between the ARIPO requirements and those of IFC's Policies and Guidelines.

2 PROJECT BACKGROUND

Cairn took over the operatorship from Shell of the Sangu Field and Blocks 5, 10 and 16 in July 2004. Land acquisition, resettlement and compensation have featured in past activities on Sangu and these blocks, as summarised below:

2.1 Sangu Gas Field Development 1998 – Onshore Land Acquisition and Resettlement

The total area required for the onshore Sangu processing plant was approximately 17 acres of which 16 acres was government owned land and under the Telegraph & Telephone (T&T) board. The rest was private property owned by six local families who were relocated and resettled in nearby villages. The families were resettled in 1998 on land of exact size as original land they owned.

The 16 acres of government land was leased through government agencies under the existing laws. However, the rest was managed by Cairn's construction contractor (Brown & Root) and supervised by Cairn.

Compensation was given in direct monetary terms in accordance with World Bank guidelines for land purchase and 'in kind' for replacement land and housing. In addition, one member from each of the six resettled families was offered employment at the Sangu Plant. An inventory of land and assets was taken and villagers were paid the calculated value. Information was provided throughout the project activities through local announcements, radio, posters, leaflets, etc. Marine co-ordinates of barge and other specific information were also provided.

2.2 Sangu Gas Field Development 1998 – Fisheries Compensation

The key challenge faced during the offshore development drilling of Sangu Gas field was the removal, supervision, evaluation and compensation of damaged fishing nets. The procedure applied to manage the fisheries compensation was as follows:

- The technical department surveyed the drilling area and types of nets, along with the number and addresses of fishermen
- The District and Upazila Fisheries Officers were consulted to fix the cost of different types of nets
- Affected fishermen were notified through the Public Relations Officers and vessel crews about the schedule of net removal dates and the full compensation package
- Verification of fishermen through village survey in consultation with local Union Council Chairman and members
- The fishermen were then paid compensation.
- The fishermen were notified after the expiry of operations
- Post-compensation inspection carried out and report submitted.

2.3 Block 5 & 10 Seismic survey 2005 – Crop compensation

Cairn completed a land-based 2D seismic survey in onshore Blocks 5 and 10 in early 2005. The seismic survey involved the following procedure:

- Scouting trips were completed prior to the survey. The different types of crops were identified and a brief socio-economic survey completed of the local farmers
- Discussions were held with the farmers, block supervisors and agriculture officers to fix the rate for different crops.
- Seismic crews first fixed the seismic lines and then the Public Relation Officers fixed the land required and crop damage with surveys using specific formats
- Public Relations Officers with the help of local villagers located the farmers and submitted the forms to the office for checking.
- After the completion of short-hole drilling, shooting and recording, the money was paid to the farmers in the presence of local village leaders and the completed payment forms submitted for cross checking.
- A different team supervised the payment system and post-payment issues. After the completion of the survey a post-seismic environmental inspection was completed.

3 REGULATORY REQUIREMENTS FOR LAND ACQUISITION

The ‘Acquisition and Requisition of Immovable Property Ordinance’ (ARIPO) was enacted in 1982, which supersedes earlier laws including the ‘Land Acquisition Laws’ of 1894 and others that have been in force between 1947 and 1982. ARIPO is the main basis for all of the present actions regarding acquisition, resettlement and rehabilitation within Bangladesh. The relevant points of the 1982 law are as follows:

- “Property” means only immovable property (land and buildings) and includes any right in such property.
- “Owners” includes the occupiers.
- Matters to be considered in determining compensation include:
 - The market value of the property
 - Damage to standing crops or trees due to acquisition
 - Damage due to severance of acquired property from other property at the time of actual taking of permission by concerned authorities
 - Damage to other properties or earnings
 - Expenses for relocation of residence
 - Damage due to lowering of profit of the property to be acquired between the serving of acquisition notice and actual acquisition

While the rules under the Act appear clear, implementation of the Act has lead to some problems. In particular, determining the market value and damage to property or income is difficult to establish under normal circumstances, particularly in situations of subsistence level agriculture and relatively stable communities with little movement of people from area to area (little basis for establishing market value due to lack of precedent for value of residences). Thus, the determination of market value and potential income can become a problem because acquisition of land in a land scarce and agricultural dependent society is not necessarily economically based.

While the Constitution and laws provide for payment of compensation for land and other immovable property, there is a lack of clear guidelines for such acquisition. Moreover, Deputy Commissioners who actually serve notice and take possession of the land are given sweeping authority in such matters and citizens have no legal recourse against such actions. These problems have been alleviated to some extent through the imposition of specific guidelines

associated with multilateral infusion of financing into infrastructure development. Experiences with multilateral financing of infrastructure projects has led to the enactment of specific ordinances, which require resettlement and rehabilitation plans to comply with most of the principles and policies of the financing organizations.

The present laws, acts, regulations and rules are not very explicit regarding resettlement and rehabilitation of project affected persons (“PAPS”). However, the laws that are in effect place the burden of resettlement and rehabilitation on the project sponsor. Consequently, in recent years, attempts are being made to take affirmative action relative to social issues associated with infrastructure development. This action focuses on development of entitlement matrices based on an entitlement policy. “Entitlement”, here means the right of the PAPs to receive benefits from the project and full compensation for their losses of land, other immovable properties, income, standing crops, occupations, etc. The compensation is often made in terms of cash grants but also includes training and credit as well as necessary facilities to enhance the resettlement and rehabilitation process.

3.1 Government Compensation Procedure

The following is the likely procedure to be followed under the ARIOP, based on the approach followed by another industrial project requiring land acquisition and resettlement:

- The company will apply to the District Commissioner for land acquisition of proposed site;
- The District Commissioner forms a District Land Acquisition Committee (DLAC) to review the application and proposed site for land acquisition;
- The DLAC approves (or rejects) the application and finalizes the exact location and size of land to be acquired, after a site visit and public consultation with potentially affected people;
- Land Acquisition Officer of the District takes over responsibility for the land acquisition;
- A notice is sent by the District Land Acquisition Officer to the local administration to inform the affected landowners of the upcoming acquisition of their property. It allows them 15 days to raise any objections to the process;
- A land survey is carried out by the District Land Acquisition Officer to determine land area classification of use, area of land and number and type of assets to be acquired;
- Permission from the Ministry of Land is granted for the valuation process to commence;

- A second notice is sent to all affected landowners, accordingly to the land registry. The notice requests the names of current owners if different from the name on the land registry and requests proof of change of ownership¹;
- The valuation process is carried out by the land Acquisition Officer, in conjunction with relevant Departments responsible for pricing of assets. This includes adding a compensation premium of 50% to the calculated value of the acquired land;
- At the end of the valuation process the results are reviewed and must be approved by the District Deputy Land Acquisition Officer;
- The District Land Acquisition Office shows the value estimation to the Sponsor for approval and payment transfer within 60 days;
- The ownership of the land is transferred to the Sponsor on receipt of the payment;
- The District Assistant Commissioner for land sends out a notification to all official landowners that they can collect their compensation from the land Acquisition Office;
- The landowners are given bankers cheques on proof of ownership;
- There are official grievance mechanisms in place if there are disputes over either ownership of land (and therefore allocation of compensation) or valuation of assets.

3.2 World Bank & IFC Guidelines

World Bank Operational Directive (OD) 4.30

This policy describes the Bank's policy and procedures on involuntary resettlement as well as the conditions Borrowers are expected to meet in projects involving involuntary resettlement. Any operation that involves land acquisition or is screened as a Category A or B projects for Environmental Assessment purposes, gets reviewed for potential resettlement requirement in early stages of the project cycle.

The policy calls for avoidance or minimization of involuntary resettlement and for preparation of a resettlement plan in case this is unavoidable. Displaced persons should be i) compensated for losses at full replacement cost prior to the actual move; ii) assisted during the move and supported during the transition period; and iii) assisted in their livelihood and quality of life restoration. People participation through the process is integral.

The full OD 4.30 is contained in Appendix 1.

IFC's Draft Performance Standards 5

IFC is in the process of preparing its new Performance Standards on Social and Environmental Sustainability which will replace the existing Safeguard Policies, including OD 4.30. The new Performance Standards will come into effect in the course of 2006. In its operations, IFC expects its clients to manage their social and environmental risks and impacts of their projects. IFC's role is to review the client's assessment and to monitor the client's social and environmental performance through the life of the IFC investment.

Performance Standard 5 on Land Acquisition and Involuntary Resettlement does not deviate substantially from the OD 4.30. In addition to the provisions outlined in the OD 4.30, the Standard has specific provisions for:

- Informal settlers, where it requires clients to offer opportunities to resettle legally in areas where they do not face the risk of eviction.
- Compensation for adverse impacts resulting from loss of access to assets or restrictions on land-use.
- Public consultation and disclosure
- Economic displacement.

Where land acquisition and resettlement are the responsibility of the government, the client is expected to collaborate with these agencies to achieve outcomes that are consistent with the objectives of these Performance Standards. Where the Government capacity is limited, the client needs to play an active role during resettlement planning, implementation and monitoring.

The draft Performance Standard 5 is contained in Appendix 2

4 FUTURE PROJECTS

4.1 THE SANGU BYPASS PIPELINE

Sangu gas currently flows via a short line from Sangu Plant into a major transmission line (the Bakhrabad-Chittagong line, B-C line) down to the Chittagong City Gate pressure let-down station and then into the Chittagong ring main. The operators of the B-C line are planning to install a compression facility that will raise the operating pressure of the line; this will have a significant negative impact on Sangu gas production rates. As a consequence CESFL is planning to install a new gas pipeline from Sangu plant directly to the Chittagong city gate station and ring main thus bypassing the B-C line. Preliminary plans call for a 2.5km, 20inch with a typical operating pressure of c. 25barg. The line is onshore and will be buried. The required completion date, driven by the B-C compression project is 1 September 2006.

In order to minimise any new land acquisition, it is planned to lay the new line in the existing Right of Way (ROW) for the B-C line. This ROW will need to be widened as it is too narrow to accommodate the new line in accordance with the Natural Gas Safety Rules and Explosives Department Rules of Bangladesh. The existing ROW is approx. 20 feet wide providing for a 9 foot safety zone either side of the buried pipeline laid down the centre of the ROW. The new line will need to be 1.5m away from the existing line consequently it is envisaged that a minimum of 1.5 – 2 metres of land will be required for the wider ROW. The existing ROW runs through agricultural land and near to habitation. It also crosses major roads and rail lines.

This widening of the ROW is expected to have a minimal impact on the existing landowners, in particular not requiring displacement and resettlement of landowners. The main impact will be temporary loss of income from crops grown on the affected land and landowners will be compensated for such loss of income.

Cairn is aware of the sensitivities surrounding land acquisition activities due to the strong cultural, social, and economic dependence of local people on agriculture. A RAP will be developed for this project after completion of the initial land survey gauging whether a Right of Way (ROW) over additional land may be required.

There are three possible options to acquire the land:

4.1.1 Acquisition through Government of Bangladesh

Cairn has a Production Sharing Contract (PSC) with the Government of Bangladesh/ Petrobangla and all projects need Petrobangla approval. Petrobangla's preferred land acquisition option is to go through Deputy Commissioner (Local Administration). This process is very lengthy process, and may take 8-12 months to have position of the land.

4.1.2 Direct

Direct purchase is a relatively straightforward process. However Petrobangla may not give permission to purchase land direct from the owner. Also, it is difficult to set the price and the ownership. Any acquisition of property rights in relation to petroleum operations will ultimately vest in Petrobangla as per existing PSC obligations.

In both cases, a pipeline route survey is required to confirm the status of the ROW/pipeline route, identify the areas required, and identify the owners and users of the land. In case of acquisition via the Government, they will do the survey, however we have to give them drawing. For direct purchase, Cairn will do the survey.

Permissions and permits are required for the installation of pipeline from the following authorities:

- Petrobangla and Ministry of Energy.
- BGSL for hook up and construction and pipeline.
- The Explosives Department for installation, testing and commission the pipeline. We have to involve explosives department through out the project since they are the licensing authority to certify the pipeline and commission. Without Explosives Department permission, pipeline cannot be commissioned for operation. Furthermore we need to supply the pipeline construction contractors company profile to Explosives Department.
- Roads and Highways to cross the high ways and to installation of the pipeline
- Ministry of Health to cross the Health Ministry land (TB Hospital).
- Bangladesh Railway to cross the Rail line.
- Bangladesh Roads and High Ways to cross road.

4.1.3 Resettlement

During the tenure of Sangu Development, one resettlement issue was resolved. Out of 17 acres of total land area, 0.9 acre land managed from local inhabitants of Chillimpur Village where the Sangu Natural gas processing plant is located. This land was owned by six families.

In the event that the bypass pipeline requires resettlement of inhabitants, it would be proposed to follow a similar process (see section 2.1).

4.2 SOUTH SANGU SATELLITE DEVELOPMENT

The offshore Sangu Field Development activities will be completed within a short period affecting a minimal area in the shallow region of the Bay of Bengal. The development activities will be undertaken within 6km to the south east of the existing Sangu-A platform.

Based on past experience and the recently approved EIA for the offshore Hatiya and Manpura prospects in the same Block 16, it is assumed that there will be some impacts on fish (species) and fisheries (people).

Most of the commercially important fish species spawn in the rainy season and this spawning is followed by larval and juvenile growth to adulthood. During this time, fish species feed, graze and migrate along the shallow area of the Bay of Bengal.

The proposed area for drilling activities is not within a fishing zone although it may interrupt fishing activities to some extent depending upon the seasonality and schedule of the proposed drilling activities. Minimum seabed disturbance along with the movement of supply vessels will be undertaken to reduce such kinds of impacts.

One possible impact is that there will be no fishing within 500m radius of the drilling activities. However, compared to the size of the total fishing area, this is a very small area. The other fishing restriction that may happen is the exclusion of fishing nets in certain locations along the movement of the vessels. In such conditions, as we have done before, the Cairn Public Relation Officer will under take assessment of such claims in accordance with the Cairn procedures for affected fishing operations, fishing net damage and compensation, in line with IFC guidelines.

Based on the experiences of Sangu Development Project in 1998, where there were issues of compensation to fishermen offshore a Resettlement Action Plan (RAP) will be prepared detailing guidelines for Public Relations and Fishermen Compensation for Offshore Operations.

Key components of which will cover the following:

1. Policies and Objectives

The RAP will comply with IFC Guidelines and the Cairn Group Framework RAP.

2. Liaison with local Government Officials

A Project Specific PCDP will be developed covering the consultation and disclosure process. A key responsibility of the offshore operations for Public Relations and Compensation is to Liaison with Local Government Bodies, Fisheries Officers, Union Council Chairman, Fishermen groups etc.

3. Personnel Selection

Depending on the volume of the activities, The Asset Team along with HSE, Security and CSR will hire Public Relation Officers involving contractor. Key objective would be to hire PRO from the local inhabitants

4. Contractor Planning and Assistance

Types of fishing gears and Crafts, seasonal availability of economically and commercially important fish species will be gathered and seasonal calendar will be produced. Proper planning with respective contractor all concerned will be undertaken.

5. Compensation

Proper survey will be carried out to finalize number of fishermen, villages, types of nets etc. The PROs must understand that this is the crucial part of compensation process and the key objectives will include the removal of the fixed nets and the compensation for the loss of catch. The PRO along with the contractor will jointly execute the operation.

6. Follow-up and Closeout

Depending on the duration of the activity, daily/weekly progress report will be forwarded from the field to the asset team on the compensation activities and proper closeout will be undertaken after paying the compensation and end of the proposed activity.

7. Reporting

In all previous offshore compensations, post-operations reports were prepared. This will be followed for future offshore compensation.