CAIRN ENERGY PLC

GROUP FRAMEWORK

RESETTLEMENT ACTION PLAN

February 2006

1. Introduction

Cairn Energy PLC is an Edinburgh based upstream oil and gas exploration and production company, which is listed on the London Stock Exchange. Cairn has extensive exploration, development and production operations and further growth opportunities in South Asia, principally in India and Bangladesh.

Cairn's existing net production of around 30,000 barrels of oil equivalent per day (boepd) is concentrated in three areas, in India the Ravva Field in Andhra Pradesh and Lakshmi and Gauri Fields in Gujarat (both producing a mixture of oil and gas) and in Bangladesh the Sangu Field in the Bay of Bengal (gas only). Over the last few years, Cairn has conducted an intensive exploration and appraisal programme, which has now started to yield significant discoveries including include several world-class finds in Rajasthan (north-west India).

Cairn is an existing client of the International Finance Corporation (IFC) and additional investment is being sought from the IFC and other Corporate lenders to help finance its capital expenditure programme. This will focus primarily on Rajasthan but will also include a component covering currently producing fields.

In order to assess and develop these projects, land needs to be acquired both temporarily for exploratory and appraisal work (seismic surveys, exploratory drilling, road access, etc), and for longer term or permanent facilities (wells, processing facilities, pipelines, roads, etc).

This Framework Group Resettlement Action Plan (RAP) outlines the principles to be followed in acquiring land for any of Cairn's operations on the Indian subcontinent 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. More detailed specific RAPs will be prepared for each of the existing and future oil and gas fields where there is a need for land acquisition and compensation.

This Framework Group RAP has been prepared in accordance with IFCs Policies and Guidelines (in particular Operational Directive 4.30: Involuntary Resettlement). IFC's new draft Performance Standard 5 (Land Acquisition and Involuntary Resettlement), which is expected to become effective in 2006, has also been considered in the preparation of this document.

2. Project Description

The corporate loan from IFC and other lenders will help finance a portion of the capital expenditures to develop Cairn's existing producing fields and discoveries in India and Bangladesh ("the Project"), which comprise:

- In Rajasthan, India, additional exploratory, appraisal and development drilling and the construction of oil processing and export facilities with a capacity of more than 100,000 bbl/day;
- In Gujarat, India, further exploration and development work;
- In Andhra Pradesh, India, infill and exploratory drilling; and
- In Bangladesh, the potential development of a satellite gas prospect.

3. Key Principles

This section outlines the key principles to be applied when developing a project specific RAP to cover the land acquisition and compensation process, while taking account of the cultural specificities of the impact area. These principles conform to Cairn's and IFC policies and guidelines, in particular the World Bank Operational Directive OD 4.30 and IFC's new draft Performance Standard 5: Land Acquisition and Involuntary Resettlement.

The principal objective is to minimise to the extent possible, the impact of land acquisition upon the project affected people, and also to mitigate any impacts thereof upon the local communities. The key principles are:

1. Any project which includes the acquisition of land either for temporary or permanent use requires the development of a project specific RAP.
2. The project specific RAP must takes into account the requirements of the applicable laws of the country, as well as the requirements of this Framework Group RAP
3. A project specific Public Consultation and Disclosure Plan (PCDP) will be developed that accords with the Group PCDP, which gives details of the consultation and disclosure process to be implemented during the land acquisition process.
4. The project specific RAP should include:
    - Identification of the nature and magnitude of the project land acquisition needs, both permanent and temporary.
    - Details of the legal framework, policies, principles and objectives that govern the land acquisition and compensation processes in the Country, and describe how the project will comply with them.
    - A summary of relevant baseline information on any affected populations, including an assessment of their relevant socio-economic circumstances, identifying all categories of impacts and people affected, summarising consultations on the results of the various surveys with affected people, identifying key issues faced in terms of land acquisition and compensation, and summarising options and strategies for minimising impacts on current land use activities.
    - A description if necessary, of the need for updates to surveys/census, assets inventories, resource assessments, and socioeconomic surveys, as part of RAP monitoring and evaluation.
    - A description of the efforts made to minimise any displacement of landowners, including the mechanisms used to minimise the displacement and the results of these efforts.
    - Details of the land acquisition and compensation processes and consultation and grievance redressal mechanisms.
    - Details of the implementation plan, responsibilities and the process for monitoring and evaluation
    - A description of the key elements of the projects public consultation and disclosure plan (PCDP).

In India project specific RAPs will be developed in accordance with the Land Acquisition Act (LAA) which governs land acquisition in India. 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. In Bangladesh the equivalent legislation governing land acquisition that the project specific RAPs are to comply with is "The Acquisition and Requisition of Immovable Property Ordinance" enacted in 1982.

4. References

Cairn Energy PLC Group Project Consultation and Disclosure Plan, January 2006

World Bank Group, June, 1990 - Operational Directive 4.30: Involuntary Resettlement

International Finance Corporation, 2002 - Handbook for Preparing a Resettlement Action Plan

International Finance Corporation, September 22, 2005 - Draft of the International Finance Corporation’s Policy and Performance Standards on Social and Environmental Sustainability.

International Finance Corporation, December 2003 - Addressing the Social Dimensions of Private Sector Projects. International Finance Corporation. Good Practice Note Number 3. World Bank Group.