

**INFORMATION SUMMARY FOR THE PUBLIC
NAFTOGAZ GAS PURCHASE FACILITY**

Host Country	Ukraine
Project Name	Naftogaz Gas Purchase Facility
Project Description	The project is a revolving gas purchase facility that allows Naftogaz to buy gas over a period of up to three years at the lowest price available during the summer months and build up reserves in its vast storage facilities for sale to Ukrainian residents and businesses in the fall and winter heating season when demand is high and gas supply is more scarce (the “Project”). This type of seasonal management of gas purchase and sale facilitates reliable gas supplies for Ukraine at affordable prices and supports Ukraine’s goal of increased energy independence and integration with the European Energy Community.
Total Project Costs	\$270,000,000 plus interest
Name of the Insured Investor	Goldman Sachs International or an eligible affiliate
Investment Amount and Type	A secured loan in the amount up to \$270,000,000 funded by international financial institutions, including Goldman Sachs.
Proposed Insurance and Amount	\$250,000,000 for principal, plus interest
Proposed Insurance Coverages	Expropriation and Arbitral Award Default
Policy Review:	
U.S. Economic Impact	The Project is not expected to have a negative impact on the U.S. economy. There is no U.S. procurement associated with this Project, and, therefore the Project is expected to have a neutral impact on U.S. employment. The Project is not expected to have an impact on the U.S. balance of trade.
Developmental Effects	This Project is expected to have a positive development impact on Ukraine, by enabling the purchase and storage of approximately 4% of Ukraine’s annual gas needs. The Project will be the first commercially arranged financing for Naftogaz, resulting from progress on major reforms mandated by the IMF. Further, the Project aligns with Government of Ukraine’s efforts to diversify its gas imports to achieve energy security.
Environment	<u>Environmental and Social Categorization and Rationale:</u> The Project has been reviewed against OPIC’s categorical prohibitions and determined to be eligible. The Project has been screened as Category A because it involves a major natural gas

storage and distribution infrastructure that has potential impacts which can be diverse and irreversible; the potential to impact local infrastructure; and the potential for accidental releases of methane from process upsets resulting in fire and explosion. In addition there are also potential impacts and risks commonly associated with hazardous materials management, solid and hazardous waste management, effluent disposal, occupational health and safety, and community health, safety, and security.

Environmental and Social Standards: OPIC's environmental and social due diligence indicates that the Project will have impacts that must be managed and monitored in a manner consistent with the following International Finance Corporation's (IFC) 2012 Performance Standards (PS) which were deemed to be applicable:

- PS 1: Assessment and Management of Environmental and Social Risks and Impacts;
- PS 2: Labor and Working Conditions;
- PS 3: Resource Efficiency and Pollution Prevention; and
- PS 4: Community Health, Safety, and Security.

Based on the information currently available, the Project is not expected to acquire land. Because the Project involves the use of existing gas storage complexes within designated industrial zones and no sensitive biological resources, indigenous peoples and cultural heritage sites have been identified at or near the Project sites, PSs 5 (Land Acquisition and Involuntary Resettlement), 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources), 7 (Indigenous Peoples), and 8 (Cultural Heritage) are not triggered at this time.

IFC's Guidelines applicable to the Project include: General Environmental, Health, and Safety (EHS) (2007), Gas Distribution Systems (2007), and Crude Oil and Petroleum Product Terminals (2007).

Site Visit: OPIC conducted a visit to the Project sites near Lviv in Ukraine from August 8-10, 2016 and to the UTG site near Chernihiv on July 1, 2017. Meetings were held with the local regulator, local community, and other affected stakeholders.

Environmental and Social Risks and Mitigation: The nearest residences to the Project are located approximately 290 meters (m) or greater from the Project sites with no major community within 2 kilometers of any Project facility. Air dispersion modeling of a potentially harmful vapor cloud resulting from an

accidental methane release indicates that hazardous concentrations of methane will be limited to less than a 930 meters radius around the point of release. Therefore, a maximum of 452 persons may experience some minor injuries under the worst case scenario. However, all residences will be outside of the zone of critical impact. To further mitigate this unique community safety risk, an emergency response plan is in effect which includes evacuation of persons in the impact zone. In the event of a major fire or explosion, minor damage (such as broken glass windows) may be expected to buildings and facilities within the industrial area and some injuries may occur to facility personnel. A detailed hazard analysis was undertaken to identify opportunities to reduce the potential for accidental release of methane and other volatile organic compounds (VOC), fire, and explosion.

The Project is currently updating its existing environmental and social management system in order to achieve consistency with the requirements of the IFC's 2012 Performance Standards. OPIC will require that the Project put in place procedures consistent with international best practices to address both occupational and community safety risks associated with the accidental release of methane and other VOCs, fire and explosion.

The Project's greenhouse gas (carbon dioxide equivalent) emissions are estimated to be about 200,000 tons of carbon dioxide equivalent (CO_{2eq}) per year.

The Project will follow internationally recognized best practices in process safety and properly manage hazardous materials including methane. The Project will develop and implement a detailed Environmental and Social Management Plan (ESMP) which will address: process safety; accidental VOC releases, fire and explosions; air emissions; wastewater discharges; and solid and hazardous waste disposal.

The Project has adopted detailed procedures relating to the safety of facility operations, including any recommendations resulting from the hazard analysis. Detection equipment located within the facilities will monitor VOC releases. These monitors will detect any accidental release of methane and other VOCs and automatically shut down the relevant gas processing facility. The Project will be required to continue implementing its Emergency Preparedness and Response Plan to ensure that appropriate emergency response measures are in place including

	<p>the complex having its own emergency service vehicles and responders. The Project will also be required to continue implementing its Occupational Health and Safety Plan and Fire Prevention and Control Plan which are designed to ensure workplace and community safety. Employees are trained on emergency response measures in addition to being trained on safety and environmental and social impacts management.</p> <p>The Project facilities either treat and re-use all of its process wastewaters and storm water in its own waste water treatment facility or discharge them to the local municipal sewer. Particulate matter, sulfur oxides, and nitrogen oxide emissions from furnaces, flares, and generators meet the IFC's Thermal Power Plant and General EHS Guidelines requirements. Process emissions of VOCs will comply with the recommended air emission levels in IFC's Guidelines. Spent catalysts will be sent to the original manufacturer for metal recovery and subsequent disposal of residues as hazardous wastes. Other process residues will be treated to reduce the toxicity of contaminants present and the treated residues disposed in a manner to prevent significant environmental releases. The Project will be required to monitor other infrastructure impacts and take corrective actions when necessary.</p> <p>The Project will be required to: (i) submit annual reports on its environmental and social performance; (ii) update and implement its Environmental and Social Management Plan, Occupational Health and Safety Plan, Fire Prevention and Control Plan, and an Emergency Response Plan; (iii) hold public consultations at least on an annual basis and address community concerns; and (iv) conduct an independent audit.</p> <p>Community Consultations: The Project held public hearings in 2015 and 2016 and also conducted several information sharing sessions during 2016. Since only a few communities are in the vicinity of the Project facilities, there is frequent communication regarding Project and local developments. In addition, the Project has established a grievance mechanism and has assigned a Manager to address any community concerns as they may arise. The Project has committed to annually reporting on Project status to concerned citizens and community groups.</p>
Social Assessment	<p>The Project will have impacts that must be managed in a manner consistent with the International Finance Corporation's Performance Standards, OPIC's Environmental and Social Policy Statement, and applicable local labor laws. OPIC's</p>

	<p>statutorily required language will be supplemented with provisions concerning the rights of association, organization and collective bargaining, minimum age of employment, prohibition against the use of forced labor, non-discrimination, hours of work, the timely payment of wages, and hazardous working conditions. Standard and supplemental contract language will be applied to all workers of the Project, including contracted workers.</p> <p>Representations of the Project's labor management system, including employment policies and collective bargaining agreement, have been evaluated against the IFC Performance Standards and OPIC's Environmental and Social Policy Statement. OPIC will require the Project to provide evidence of its human resources policies and terms and conditions of employment. The Project will be required to be aligned with IFC Performance Standard 4 and to ensure its guards are trained on the use of force.</p> <p>This review covers the commensurate human rights risks associated with gas storage and distribution in Ukraine.</p>
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