Early Warning System

IFC-34450

7 Energy

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Quick Facts

Countries	Nigeria
Financial Institutions	International Finance Corporation (IFC)
Status	Active
Bank Risk Rating	B
Voting Date	2014-04-11
Borrower	SEVEN ENERGY INTERNATIONAL LIMITED
Sectors	Energy
Potential Rights Impacts	Cultural Rights, Healthy Environment, Housing & Property, Labor & Livelihood, Marginalized Groups, Right to Food, Right to Health, Right to Water
Investment Type(s)	Equity
Investment Amount (USD)	$ 75.00 million
Project Cost (USD)	$ 600.00 million

Project Description

IFC is considering an equity investment of up to US$75 million to partially finance Seven Energy's infrastructure development program in Nigeria ("the Project"), including a 38km gas pipeline from Uquo to Oron and related infrastructure. Seven Energy provides natural gas to the domestic market for power generation and industrial consumption in south-eastern Nigeria with offices in Lagos, Nigeria, and London, United Kingdom. The Company currently operates two domestic project regions, the Uquo Field, jointly operated with Frontier Oil Limited via Seven Energy's subsidiary "Accugas", and Stubb Creek, operated by Universal Energy Resources Limited, a company in which Seven Energy holds a 62.5% stake.

The Uquo Field Project:

Seven Energy and Frontier Oil Limited have developed a processing plant in southeast Nigeria at Ekid to treat and process gas from the both Uquo and Stubb Creek fields. Below is timeline of the project's development:

- In late 2012, the processing facility's first train was completed.
- In 2011, a 60km buried pipeline from Uquo to Ikot Abasi was completed to deliver gas to the 180 MW Ibom Power plant.
- In 2013, a second train was completed to provide additional processing capacity.

At the time of disclosure, construction and commissioning of the first process train at the Ekid plant has completed, and the pipeline to the Ibom power plant has been pressured up and first delivery was expected by end of 2013. An additional 38 km 24-inch buried pipeline from Uquo to Oron is currently under construction to supply gas from the Ekid facility to the Calabar power plant, which is also currently under construction. At the time of disclosure, the Uquo to Oron pipeline was approximately 42% complete with commissioning scheduled in June 2014.

Associated Facilities

A 51 km pipeline will be installed to connect from Seven Energy's gas delivery point at Oron to the Gas Receiving Facility at Calabar and will be completed in 2015. The Calabar power plant is a 560MW development led by the Niger Delta Power Holding Company. Final completion of the power plant and related facilities is expected in June 2014. Because the commercial viability of the Ekid processing facility and wider Uquo field development is reliant on the development of the Calabar power plant, the IFC considers the Calabar power plant to be an "associated facility" as part of the current investment.

Stubb Creek Field:

The Stubb Creek field is an onshore oil and gas field located in Akwa Ibom State approximately 23 km from the ExxonMobil Qua Iboe Terminal and 29 km from the Ekid Processing Facility, in the direction of the Cross River estuary. Sinopec, the Chinese national petroleum company, is Universal's non-operating joint venture partner in the Stubb Creek Field. Below is a timeline of the project's development:

- In 2002, the Field was classified by the government as a marginal field. Operatorship was awarded to Universal through a farm-out agreement in 2004.
- Following a seismic survey carried out in 2006 by Universal, five development wells, in addition to the original four exploratory wells, were drilled by Universal between 2007 and 2009.
- In 2010, Seven Energy acquired a 62.5% shareholding in Universal and subsequently developed the field along with supporting oil and gas infrastructure.
- The development involved the construction of an Early Production Facility completed in 2013. Initial field production is estimated at 2,000 barrels per day with the view to increase to 8,000 barrels per day. To achieve this, the Early Production Facility will be replaced by a permanent Central Processing Facility scheduled for completion in 2015.
- In mid-2013, one reinjection well was completed for the purposes of produced water disposal and reservoir maintenance, along with supporting infrastructure including flow lines and export pipelines. The Central Processing Facility has been

Early Warning System Project Analysis

RISK CATEGORIZATION: Category B

According to the IFC, the Project "will result in a limited number of specific impacts that can be avoided or mitigated by adhering to industry recognized standards, guidelines and design criteria.* IFC states that the Project covers a "limited *brownfield* footprint" (being placed on a site that was previously developed) of the recently completed onshore Stubb Creek and Ekid receiving facilities along with supporting infrastructure. IFC has further reasoned that Seven Energy operations present potential impacts and risks that are "typical for limited-scale oil and gas activities. These impacts and risks can be readily identified and avoided or reduced by following good international industry practice." As part of IFC's investment the Company is undergoing a review of its own existing management systems to ensure consistency with IFC's Performance Standards.

IFC states that "[k]ey risks and issues related to this investment include the Company's capacity to: i) undertake adequate social and environmental assessment and monitoring during exploration and development phases including the assessment of potential cumulative impacts; ii) ensure fair, safe and healthy working conditions during construction and operations for direct employees as well as for the contract workers; iii) ensure proper handling of hazardous materials, and management of airborne emissions, wastewater, solid and hazardous waste during construction and operations; iv) ensure appropriate management of the impacts of construction and operations on, community health, safety and security and consult and engage with potentially project-affected communities; v) ensure potential social issues relating to pipelines and facilities land acquisition processes are identified and mitigated; and vii) minimize adverse impacts of construction and operations on the natural flora and fauna within [the] project's area of influence."

APPLICABLE SOCIAL AND ENVIRONMENTAL STANDARDS

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
PS 4 - Community Health, Safety and Security
PS 5 - Land Acquisition and Involuntary Resettlement

Although distinct communities are located near project areas (including the pipeline, production fields, production plants and other facilities), the IFC has determined that PS 7 relating to Indigenous Peoples is not relevant due to "the relatively high levels of accessibility, established land tenure systems, established links with the mainstream economy and local government ensure that the various groups existing within the wider region in which Seven Energy's activities are focused are part of mainstream society without specific attributes that would classify them as Indigenous Peoples as per IFC guidelines." If it is determined that Indigenous People will be affected by the project, IFC provides that Seven Energy will apply the provisions of Performance Standard 7.

ANALYSIS OF COMPANY

Seven Energy International Limited is a Nigeria and UK based oil and gas exploration and production company that focuses on developing and commercializing gas which was historically stranded or flared, and supplies it to Nigeria's domestic market for power generation and industrial consumption. Seven Energy currently has two core areas of operation in the South East and North West onshore Niger Delta.

People Affected By This Project

ENVIRONMENTAL AND SOCIAL RISK ASSESSMENT

LABOR RIGHTS

Seven Energy directly employs on a permanent basis approximately 84 people of which 75 are Nigerian nationals, 9 are expatriates, and 34 are female. Furthermore, according to the 2012 Sustainability Report, over 300 indigenous workers were engaged during the year, under the Uquo to Ikot Abasi gas pipeline project Memorandum of Understanding.

The United Nations Environment Programme's Finance Initiative has linked oil and gas exploration and infrastructure development to violations of employment and labor rights in the form of lower standards, especially for vulnerable groups, such as women and children. Additionally, throughout construction and operation, employees engaged in gas exploration and infrastructure development activities are exposed to health risks stemming from explosions, blowouts, and toxic spills.

The following questions may be relevant in determining if members of your community have suffered labor rights violations in the construction or operation of Seven Energy's pipeline network:

- Are working conditions in your community and/or in this industry safe and healthy?
- Are your wages sufficient to meet your basic needs and those of your family?
- Do women in your community and/or in this industry receive the same pay as men for work of equal value?
- Do you have reasons to believe that children could be recruited and employed in the context of the planned investment project?

RIGHT TO CULTURE

The United Nations Environment Program's Finance Initiative reports that high-impact development projects, such as oil and gas pipeline networks, have been known to undermine the cultural heritage of weak and vulnerable groups, particularly with regards to destruction or damage to cultural, historical, archeological, and religious sites.

According to project documentation, 65 local communities reside in the project area. Displacement during construction or operation resulting in land loss might possibly result in the destruction of culturally valuable sites.

The following questions may be relevant in determining if members of your community have suffered a violation of the right to culture due to the construction or operation of Seven Energy's pipeline network:

- Do you have reasons to believe that the planned investment project could affect your right to take part in cultural life?
- Does the company consider that the planned investment project could result in restricting or denying the right to take part in cultural life?

RIGHT TO FREEDOM OF EXPRESSION, ASSEMBLY, AND ASSOCIATION

Oil exploration and production in Nigeria has also been linked to alleged violations of the right of Nigerian citizens rights to information, participation in the decision-making process relating to the environment, expression, and assembly. Recently, there were reports of protests in the street in Edo in Esit Eket local government area of Edo State, with respect of the gas plant under construction by ALCON Ltd in Uquo marginal oil field. Armed Forces were called to quell the disagreement. According to the reports, the local people were protesting over the alleged breach of the Memorandum of Understanding between the operators of the field, Frontier Oil Limited, and the local community, in which jobs were to have been provided to local youth and support given to development initiatives.

With regards to security at the Seven Energy site, the IFC states that "security situation in the region remains volatile. As such, the need to provide armed security forces is standard practice for the sector in the regional context." IFC states that, "[i]n

Investment Description

- International Finance Corporation (IFC)

IFC investment in this project will be an equity investment of up to US$75 million. The terms of this investment are still being finalized.

Private Actors Description

Seven Energy was founded by a group of Nigerian investors and international executives in 2004. It benefits from a strong management team experienced in upstream, midstream, as well as gas to power generation, under the leadership of CEO Phillip Ihenacho.

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PAST HUMAN RIGHTS ABUSES

*** Seven Energy itself has not been linked to any past human rights abuses. However, Seven Energy's non-operating joint venture partner (i.e investor) in the Stubb Creek Oil Field, Sinopec, has been heavily criticized for its role in oil investments in Sudan, Burma, and Libya and its human rights record in these instances.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Seven Energy International Limited	Client	-

Contact Information

Gary Bush
Seven Energy
7 Anifowose Street
Victoria Island
Lagos, Nigeria
Main line: +234 (0) 1 - 277 0600
Fax: +234 (0) 1 - 277 0644

CONSULTATION PROCESS

IFC recognizes that "[t]here has been a history, spanning several decades, of social tension between the Niger Delta oil and gas sector and local communities, along with reported human rights concerns in the area." As a result, IFC states that "Seven Energy specifically has engaged with local communities through a number of initiatives including constant communication with community leaders and other local based groups, permanent presence in affected communities, the implementation of a grievance mechanism, Corporate Social Responsibility programs to support local development, a local employment program, and a land acquisition program based on good faith negotiations and livelihood restoration." IFC states that, "as part of its Asset Protection system, Seven Energy is committed to the Voluntary Principles on Security and Human Rights and has developed a procedure to conduct Human Rights Assessments throughout its operations."

Seven Energy has a Corporate Social Responsibility and Community Relations team of eleven individuals including a Corporate Social Responsibility manager based in Uyo who reports directly to the Vice President. Additionally, Frontier Oil Limited has a Public Liaison Officer and a Community Liason Officer. The Corporate Social Responsibility team is tasked with keeping community members informed of the Company's activities, responding to or reporting community concerns, and appropriating and coordinating the implementation of development initiative in accordance with Memorandums of Understanding signed with communities and with Seven Energy's Corporate Social Responsibility policy. Through their daily activities, Corporate Social Responsibility Representatives must engage with a number of community groups including Community Chiefs, youth and women groups and Memorandum Implementation Committees, which are formed by village chiefs to ensure the adequate implementation of Memorandums of Understanding.

As part of IFC's financing, Seven Energy must ensure that the existing corporate Stakeholder Engagement Plan and grievance mechanism in accordance with IFC Performance Standards. Seven Energy must develop project or activity specific performance standards including provisions to develop detailed annual operating plans for stakeholder engagement activities.

ACCOUNTABILITY MECHANISM OF IFC

The Compliance Advisor Ombudsman (CAO) is the independent complaint mechanism and fact-finding body for people who believe they are likely to be, or have been, adversely affected by an IFC or MIGA- financed project. If you submit a complaint to the CAO, they may assist you in resolving a dispute with the company and/or investigate to assess whether the IFC is following its own policies and procedures for preventing harm to people or the environment. If you want to submit a complaint electronically, you can email the CAO at CAO@worldbankgroup.org. You can learn more about the CAO and how to file a complaint at http://www.cao-ombudsman.org/

Campaign Documents

- In-depth interview with Andy Hall: "Companies should help prevent another witch hunt on human rights
- What To Do When Project Impacts Are In Dispute? Participatory Monitoring and Joint Fact-finding