

**INFORMATION SUMMARY FOR THE PUBLIC
NAFTOGAZ GAS SALE AND REPURCHASE FACILITY**

Host Country:	Ukraine
Project Name:	Naftogaz Gas Sale and Repurchase Facility
Project Description:	Naftogaz of Ukraine will sell gas to a special purpose vehicle (the “SPV”) during the summer and will use the proceeds of such sale for liquidity. The SPV will obtain financing for the purchases from a loan facility of up to \$500,000,000 provided by certain international financial institutions, of which up to \$400,000,000 will be guaranteed by the Insured. Naftogaz will repurchase the gas from the SPV during the winter months. The gas sold by Naftogaz to the SPV and repurchased by Naftogaz from the SPV will be stored by Ukrtransgaz (the “Stored Gas”).
Total Project Costs:	Up to \$500,000,000, plus interest
Name of Insured Investor:	Goldman Sachs International or an eligible affiliate
Name of Reinsurers:	To be determined following board approval
Investment Amount and Type:	Up to \$400,000,000, plus interest, loan guaranty
Proposed Insurance and Amount:	Up to \$400,000,000, plus interest (gross insurance); Up to \$250,000,000, plus interest (net of reinsurance)
Proposed Insurance Coverages:	Expropriation of Stored Gas and Nonpayment of an Arbitral Award by Ukrtransgaz
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 expected to have a positive five-year U.S. balance of payments impact.
Developmental Effects:	This Project is expected to have a positive development impact on Ukraine by enabling the purchase and storage of approximately up to 10% of Ukraine’s total annual gas needs, helping to avert a potentially severe energy shortage during the winter months. Ukraine has been negatively affected by political uncertainty and the continued military conflict centered on the eastern part of the country, which has caused a severe economic recession. The economy saw GDP fall by 9% in 2015. 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: During August 8-10, 2016, OPIC conducted a visit to the Project sites near Lviv in Ukraine. 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 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

	<p>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 facilities have been subject to public hearings in 2015 and 2016 and also 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>
<p>Worker Rights:</p>	<p>The Project will be required to operate in a manner consistent with the International Finance Corporation's Performance Standard 2 on Labor and Working Conditions, OPIC's Environmental and Social Policy Statement, and applicable local labor laws. OPIC's 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,</p>

	<p>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 alignment with IFC Performance Standard 4 and to ensure its guards are trained on the use of force.</p>
Human Rights:	OPIC issued a Human Rights clearance for the Project on January 15, 2016.