

## NON-CONFIDENTIAL PROJECT INFORMATION

<b>Host Country:</b>	Egypt
<b>Name of Insured Investor:</b>	Apache Corporation
<b>Foreign Enterprise:</b>	Various Apache Corporation subsidiaries
<b>Investment Amount and Type:</b>	\$5.2 billion of existing equity investment, plus an estimated \$1 billion of equity investment per year through 2019.
<b>Project Description:</b>	The project involves approximately \$6 billion of new investment by Apache Corporation during the period 2013-2019 for further exploration, development and production of oil and natural gas in 23 concessions in Egypt.
<b>Total Project Costs:</b>	\$6 billion
<b>Proposed OPIC Insurance Amount:</b>	Up to \$40 million, net of reinsurance
<b>Private Insurer Participation:</b>	OPIC's coverage is additional to a large political risk insurance program in which private market insurers will continue to provide political risk insurance to Apache.
<b>Developmental Effects:</b>	This project will have a positive development impact in the host country, with support for a U.S. investor's significant equity investment into its oil and gas operations in Egypt. Apache provides Egypt with a vital source of jobs and government revenue, at a time when the country is in need of both. With continued economic uncertainty in the country, private insurance providers have become increasingly risk adverse. In this environment, the investor needs OPIC insurance to cover its risks as private insurance providers withdraw their exposure to the country.
<b>Environment:</b>	<b>Screening:</b> The project has been reviewed against OPIC's categorical prohibitions and determined to be categorically eligible. The project is screened as Category A because it involves large-scale onshore oil and gas development. Key environmental and social issues associated with onshore development include potential adverse impacts on air quality; potential to emit large quantities of greenhouse gases; potential adverse impacts on surface water, groundwater and soils as a result of oil spills; potential adverse impacts resulting from the disposal of produced

water and sand from phase separation; potential fire and explosion; occupational health and safety risks; and potential adverse impacts on adjacent communities, including those associated with land acquisition.

**Applicable Standards:** OPIC's environmental and social due diligence indicates that the project will have impacts that must be managed in a manner consistent with the following Performance 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.
- PS 8: Cultural Heritage

Based on current activities, Performance Standard 6 (Biodiversity Conservation and Sustainable Management of Living Natural Resources) is not applicable because the assets are located in areas with limited biodiversity or natural resources.

Based on available information, there are no communities in the areas of the existing assets which would be considered indigenous under PS 7 (Indigenous Peoples). Bedouin groups exist throughout the Western Desert, but these groups are considered to be ethnic groups and not Indigenous People for the purpose of PS 7. They do not differ from the rest of the Arab population in Egypt in terms of religion, language or economic activity and their children attend community schools with the rest of the population. However the Bedouin may be considered vulnerable and this must be taken into account in consultations. The Bedouin do derive benefits from the project in that Apache hires the group as unarmed guards in remote locations.

PS 8 is only applicable to the project with respect to the need to establish chance finds procedures. The Dashour Gas Plant (commissioned in 1978) is located very close to the Pyramids of Dashour, which was designated a World Heritage Site in 1979; however, no adverse impacts on the Pyramids have been identified to date.

Consistent with the requirements of PS 3 (Resource

Efficiency and Pollution Prevention) the project is required to meet applicable provisions of the IFC General Environmental Health and Safety Guidelines and the EHS Guidelines for On-shore Oil and Gas Development. Power generation assets located at Kalabsha and Salam have a total rated heat input capacity above 50 Megawatt thermal input on a High Heat Value basis; therefore the EHS Guidelines for Thermal Power apply.

**Environmental and Social Risks:** Worker accommodations in remote desert locations are serviced with potable water and rely on septic systems or centralized treatment plants for wastewater disposal. All accommodations are clean and well serviced.

The principal point source emissions are from heater systems, generators, gas pumps and fire pumps. All facilities operate emergency flares. Limited volumes of associated gas are flared in concession areas near the Nile Valley and in other remote location where associated gas collection is not commercially feasible. Estimated greenhouse gas emissions associated with all Apache Egypt operations in 2011 was in excess of 4.4 million tons CO<sub>2eq</sub>. All other emissions, including mercury, benzene and toluene are in compliance with the applicable standards.

The major source of wastewater is produced water. Oil is skimmed from produced water prior to discharge in lined evaporation ponds or re-injected downhole.

General office and kitchen solid wastes are transferred off site for third party disposal. Surplus materials storage areas have been established to store Egyptian Government Property. All facilities have valid permits to store 11 hazardous wastes. Materials that have been contaminated with naturally occurring radioactive materials are stored in containment areas that have been licensed and approved by the Egyptian Atomic Energy Agency.

Oil and gas facilities do not spatially overlap and are not located in the vicinity of other oil and gas operations. All facilities are relatively self contained and cumulative impacts are not anticipated.

**Risk Mitigation:** Site level EHS management systems are in place at all locations and there is adequate capacity to

effectively implement these systems. Apache is developing over-arching policies and procedures to align the various management systems with international best practice and to strengthen review and oversight.

Although most of the assets are located in the remote Western Desert with no nearby communities, Apache is developing a formal stakeholder engagement plan, including a grievance mechanism, to respond to the needs of local communities, particularly in the Nile Valley area where population encroachment is occurring.

The project's security arrangements include detailed threat analyses and equipment provision. Because the assets in the Western Desert are located in military-patrolled areas, the project is committed to annually reviewing its security standards to ensure compliance with PS 4.

**OPIC Site Visit:** OPIC staff undertook an environmental and social due diligence site visit in November 2011. Meetings were held with the Egyptian Environmental Affairs Agency and the Egyptian Atomic Energy Agency. No outstanding issues were identified by the regulatory authorities.

**Community Consultations:** Egyptian law only requires community consultations for Greenfield projects and major expansions of existing projects. Because the project involves existing assets, no formal community consultation was undertaken. OPIC disclosed concession level E&S documentation on its web site for a period of 60 days in 2004, 2006, 2008 and 2012. No comments were received. Host country notification of OPIC involvement was previously provided to the government in 2004 and 2006.

**Worker Rights:**

OPIC's statutorily required standard worker rights language will be supplemented with provisions concerning the rights of association, organization and collective bargaining, timely payment of wages, minimum age requirements, and hazardous working situations. The project will be required to operate in a manner consistent with the requirements of the International Finance Corporation's Performance Standard 2 on Labor and Working Conditions. Standard and supplemental contract language will be applied to all workers of the project.

**Human Rights:**

OPIC issued a human rights clearance for this project on June 11, 2013.

**U.S. Effects:**

The project is not expected to have a negative impact on the U.S. economy as it produces oil and gas in Egypt, for sale on the domestic market as well as in the U.S. and Europe. The U.S. has long been dependent on imported oil, thus this project has not in its nearly two decades of operation had a negative impact on the U.S. economy. The project over its existing lifespan with OPIC appears to have had a net negative impact on the U.S. balance of payments.

