

ENVIRONMENTAL AND SOCIAL MONITORING REPORT

Camisea Natural Gas and Natural Gas Liquids Pipeline Project, Peru

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1.0 INTRODUCTION

The Inter-American Development Bank (IDB) and the Corporación Andina de Fomento (CAF) (collectively the Lead Arrangers or “MLAs”) have been performing independent environmental and social monitoring (IESM) of the Camisea natural gas and natural gas liquids pipeline project (“Downstream Project”) in Peru since September 2002. The MLAs are considering providing partial financing to Transportadora de Gas del Peru (TGP), the company sponsoring the downstream component of the Camisea Project.

The Camisea Project consists of three sub-projects:

1. The gas field in Block 88 and the proposed Fractionation Plant and Export Terminal near Pisco (“Upstream Project”),
2. The natural gas and liquids transportation pipeline (“Downstream Project”), and
3. The natural gas distribution network in Lima and Callao (“Distribution Project”).

The Downstream Project consists of a 33-year concession agreement with TGP to build, own, operate and transfer two major pipeline systems: a 697 kilometer (km) natural gas pipeline and a 575 km natural gas liquids (NGL) pipeline. The two pipelines will be laid in parallel trenches on a common right-of-way (ROW) extending from a gas processing plant at Las Malvinas, located in the Ucayali Basin 431 km east of Lima, to a proposed NGL processing and shipping facility near the port of Pisco, 200 km south of Lima. The natural gas pipeline will run north to the Lima City gate at Lurin from a point east of Pisco (Figure 1).

This monthly report summarizes the construction monitoring activities performed as part of the overall Environmental and Social Due Diligence review in considering financing for the Downstream Project. The monitoring activities conducted during March 2003 are covered in this report.

1.1 Monitoring Objectives

URS Corporation (URS), an international environmental and engineering consulting firm under contract with IDB/CAF, initiated the IESM of the project in September 2002. The MLAs’ review primarily focuses on the Downstream Project, however both the Upstream and Distribution projects are being monitored by URS field personnel because of the overlapping and cumulative environmental and social sensitivity of the tropical rainforest location and impacts. The objectives of the IESM are to provide the MLAs with reliable and unbiased information regarding the project’s compliance with environmental and social management plans and procedures, as well as construction best management practices (BMPs).

The IESM team consists of full-time environmental and social monitors in the field who perform the following principal activities:

- Conducts daily field observations and documents environmental and social procedures and processes that are being implemented by TGP and its contractors;

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- Reviews other construction monitoring activities that are being carried out by TGP and its contractors (Gulf Interstate, Domus, and Knight Piesold);
- Prepares daily reports to IDB/CAF regarding ongoing activities in the field;
- Provides immediate recommendations, as necessary and appropriate, to TGP, Pluspetrol, and their field representatives regarding ways to improve management practices.

The IESM does not include redundant sampling, testing, and other measures that are performed by Knight Piesold and Domus for TGP's environmental and social monitoring programs. For sampling and testing results, one can refer to Knight Piesold's monitoring reports. Likewise, INMAC performs monitoring on behalf of Pluspetrol for the Upstream Project.

These monthly summary reports are also being prepared to document the effectiveness of the project's environmental management plans and procedures (Plan de Manejo Ambiental [PMA]) and the recommendations for improvement wherever applicable. The monthly monitoring reports are available to public through the Camisea Web page, www.camisea.com.pe.

1.2 Report Organization

This monthly monitoring report is a summary of the environmental and social daily and weekly reports and is organized into four major sections:

- Introduction
- Project status and construction activities completed during the current reporting period
- Environmental, health and safety monitoring completed along with observations and recommendations
- Social monitoring completed along with observations and recommendations.

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2.0 PROJECT STATUS AND CONSTRUCTION ACTIVITIES

The following is a summary of the project status and construction activities during March 2003. This information has been obtained from field observations and Pluspetrol and TGP monthly reports.

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2.1 Upstream Project

2.1.1 3-D Seismic

The seismic exploration of Block 88 was completed in October 2002.

2.1.2 Flow Lines

Flowline: Las Malvinas – San Martin 1 (KP 0+000 al KP 26+000) – The pipe installation is near completion. Pending tasks include the Camisea River crossing, the modifications to the aerial crossing at KP 9+100 (Purocari River) and the fiber optics installation between KP 9+100 and KP 10+600. Works in progress include two metallic bridges, drainage channels in gorges, anticorrosive painting and coating of the aerial pipe and metallic support structures.

Flowline: San Martin 1 – San Martin 3 – Final route is under study. The San Martin 2 camp (SADE-JJC) is under construction (to house up to approximately 600 workers for the construction of the new flowline).

2.1.3 Gas Plant and Air Strip at Las Malvinas

Las Malvinas Separation Plant and Facilities – The plant is under construction and the camp is being expanded to house up to approximately 900 workers in the coming months. Construction of the drainage channels for the landing strip and the Separation Plant is complete.

2.1.4 San Martin – 1 Well Pad

San Martin 1 Drilling Platform – Drilling of third production well at SM-1 is approximately 78% complete. Platform improvements (drainage channels, accesses, etc.) are in progress.

2.1.5 Fluvial Transportation

Daily inspections of the fluvial transportation program continued during the month of March at the control points between Las Malvinas and Maldonadillo along the Lower Urubamba River.

As part of the fluvial transportation program, control points were installed at certain communities for the community fluvial transportation monitoring.

2.2 Downstream Project

2.2.1 Right-of-Way

During the month of March, the pipeline ROW survey, clearing, trenching, stringing and bending, welding and coating, lower-in and backfill, regrading and installation of the optic fiber cable continued mainly in the Sierra and Coastal sectors.

Activities in the Selva I and II sectors resumed by mid March; these activities consisted mainly in the maintenance of the ROW. Minor repairs were conducted in those areas affected during the rainy season. Slope breakers were removed to allow construction traffic to transport equipment to the different spreads. By the end of the month grading operations in the Poyentimari zone (Selva II) was resumed. Stringing, welding and installation of the 32-inch pipe was also resumed starting from Las Malvinas in the Selva sector. Delivery of the 32-inch pipes was completed by the end of the month at the Chocoriari camp. Improvements to the wastewater treatment plants at various camps were made. Urubamba River crossing activities near Chocoriari continued during March.

In the Sierra sector clearing and grading of the ROW at the Pacobamba, and Huaytará fronts were performed; however, the work did not progress as planned due to the difficult terrain. Trenching, stringing, bending, welding and lower in activities continued at the Pacobamaba,

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Acocro, Rumichaca and Huaytará fronts. Hydraulic test of the gas pipes were also conducted in the areas of Acocro and Rumichaca.

In the Costa sector clearing and grading of the ROW continued. Only in certain areas blasting was required, most of the ROW traverses sandy and agricultural areas. Trenching of the ROW reached KP 530+000.

The following is a summary of the pipeline ROW status as of the end of March:

Natural Gas

Approximately 72.0 percent of the natural gas pipeline ROW was cleared, 71.5 percent graded, 32.4 percent trenched, 32.2 percent pipe stringing, 30.2 percent welded, 23.4 percent lowered-in, 17.4 percent backfilled, and 17.8 percent of the fiber optic cable installed.

Natural Gas Liquids

Approximately 78.5 percent of the NGL pipeline ROW was cleared, 77.9 percent graded, 51.4 percent trenched, 50.3 percent pipe stringing, 45.8 percent welded, 41.0 percent lowered-in and 40.5 percent backfilled.

River and Road Crossings

The horizontal directional drilling activities for the Urubamba River crossing continued near Chocoriari during March.

2.2.2 Construction Camps

Seventeen base and satellite camps, including the main camp in Pisco, were open during the month of March along the ROW. Nine were located within the Selva I and II sectors (Malvinas, Chocoriari, Paratori, Mantalo, Mangoriari, Chimparina, Kepashiato, Segakiato and Comerciato), six were active in the Sierra sector (San Antonio, Toccate, Pacobamba, Patibamba, Acocro, and Huaytará), and one was active in the Costa sector (Humay).

2.2.3 Other Downstream Project Activities

Construction of Pumping Stations 1, 3 and 4 (PS1, PS2 and PS4) continued according to schedule. Construction activities for Pumping Station 2 (PS2) will resume in April. Clearing and grading activities for the Pressure Reduction Stations 1 and 2 (PRS-1 and PRS-2) started in March.

3.0 ENVIRONMENTAL, HEALTH AND SAFETY MONITORING

3.1 Introduction

URS provided independent monitoring of the effectiveness of environmental, health and safety (EHS) and social mitigation measures during construction. The monitoring was conducted by visiting active construction sites to observe implementation of measures contained in the Plan de Manejo Ambiental (PMA), TGP's Health and Safety (H&S) Plans and the construction specifications.

Specific works that were observed included project infrastructure facilities, such as potable water intake, treatment and distribution; collection, treatment and disposal of sanitary and storm water; installation of erosion and sediment control measures; drilling mud management; work camp safety and sanitary conditions; and clearing of the ROW and helipads. Monitoring observations also covered implementation of health and safety control. The following sites were visited during the March reporting period:

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Upstream

The following facilities were inspected: San Martin 1 Drilling Platform, Las Malvinas Gas Plant site, landing strip, and SM- 1, Graña & Montero, and SADE-JJC camps. Field audit personnel monitored flowline construction between KP 0+000 and KP 10+000 and from KP 24+900 to 26+000.

Downstream

The following camps were inspected: Malvinas, Chocoriari, Kepashiato, Vinchos, Humay and Acocros.

Field audit personnel monitored pipeline construction between the following Kilometer Posts:

- KP 0+000 to KP 17+093;
- KP 119+500; KP 455+000;
- KP 245+125 to KP 247+500;
- KP 364+000 to KP 365+000, KP 375+000;
- KP 416+000 to KP 440+000;
- KP 467+000 to KP 468+500;
- KP 608+000 to 612+250;
- KP 637+000 to KP 638+000.

The old diesel spill at Km 174 in the Los Libertadores Highway and a new spill on the access road at KP 375 were also inspected. An aerial survey of the ROW was performed from the Kepashiato camp.

Pertinent sections of the PMA that were the focus of monitoring include:

- Prevention, correction and/or mitigation plan.
- Waste management plan
- Environmental training plan
- Contingency plan
- TGP's/Pluspetrol's H&S Plans

3.2 Environmental, Health and Safety Observations

A summary of activities where PMA implementation was adequate, as observed during March, is described in the following subsections:

3.2.1 Upstream Project

Las Malvinas Pluspetrol Camp

Access control at the Las Malvinas airstrip has improved. Passengers descend from the plane directly to a bus that transports them to the camp where luggage is delivered (see Photo 2). The new waiting area near the landing strip is under construction.

The gulch that was near the contaminated soils storage area has been filled in, eliminating the safety concerns presented by the bridges that crossed the gulch.

All wastewater inspection chambers have been fitted with concrete covers.

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The wooden bridge over the gulch near the solid waste storage area was removed as it was in completely deteriorated condition.

Domestic and hazardous wastes are now stored in separate areas.

Drainage Channels.

The installation of the P 300 matting has improved; staples are now being placed according to the manufacturer's specifications.

3.2.2 Downstream Project

Access Roads

Los Libertadores Highway (Km. 174): Cleanup work continued in the area contaminated by a diesel spill at the end of November.

Calca-Kiteni Road: On February 20, 2003, a flagman on a road maintenance crew was killed when he tripped and fell in front of road compactor. The individual was hastily responding to an escort truck that had overturned.

Camps

Patibamba Camp: A secondary containment dike was installed for the fuel tank that serves the camp's electrical generators.

Malvinas TGP and Chokoriari Camps: Landscaping works: planting of grass, ornamental plants, and shrubs.

Chokoriari Camp:

1. The causes of incidents involving the diesel storage bladders (perforations and bursting) were investigated. The secondary containment for one of two diesel tanks (10,000 gallons) located at the fuel pump was enlarged to meet the PMA specifications (110% of tank capacity). Retrofitting of the second tank is pending.
2. The large number of oil and fuel drums scattered around different campsite areas has been partially resolved.

Kepashiato Camp: One case of typhoid fever was reported. The patient is currently under medical care.

Pipeline ROW

Rio Seco - Fatal Accident. A worker drowned at nightfall on Monday, March 25, in the Rio Molino during high runoff. The worker was trying to cross the river and was swept away by a debris flow caused by flood conditions. This river is crossed by the access road to work sites on the Torobamba and Río Seco rivers.

Diesel Fuel Spill – Access Road near KP 375 from the Los Libertadores Highway. On March 9, approximately 1,600 gallons of diesel fuel was discharged from an unguarded mobile refueling tank that was parked along the access road. It is suspected that persons external to the project had opened the valve and failed to close it. The fuel contaminated approximately 1,800 m² of soil.

Yucay River: Erosion control, and retainer wall systems have been installed at the bottom of the natural slope on the eastern bank of the Yucay River, beside a vegetated area. Berms and sumps were constructed to try to contain the contaminated soils from runoff. The contaminated soils were excavated and transported to Rumichaca Camp prior to final disposition. TGP issued a directive that no fuel storage tanks would be allowed to be stored near accessible locations

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without a guard. Following removal of contaminated soils, the site will be graded and revegetated.

Cañete: Drainage canals crossing the ROW were adapted to prevent obstruction, using PVC pipes and drains. Small canals were built between the drains to ensure that water reached the entire parcel of land during irrigation.

ROW between KP 0+000 and KP 17+093: [1] To improve usability and prevent deterioration of the ROW during stringing of the 32" pipe, stabilization is being carried out and bridges are being reinforced, repaired, or reconstructed (displacing them to the east so that they are not within the trench axis); [2] The earlier works done between KP 0+000 and KP 6+000 were inadequate. As a result, the stringing of the 32" pipe caused considerable damage to the ROW, the collapse of bridges, and impacts on water bodies.

ROW between KP 0+000 and KP 17+093: In the section between KP 13+000 and KP 15+500, erosion control systems and sediment filters are functioning correctly. Maintenance work should be carried out to ensure proper function.

Hydrostatic Testing

Holding ponds were installed at the head of the hydrostatic testing zone to contain and filter water used for cleaning the pipes. These sediments contained by the ponds should be removed and properly disposed of when testing is completed.

3.3 Deficiencies

Implementation of the PMA in the areas observed on the downstream project continues to lag behind other construction operations. Although actions are continuously being taken to correct previously identified deficiencies, new deficiencies are continually being observed. There seems to be an inability to implement the PMA in a proactive manner that would avoid many preventable problems from happening in the first place. As concluded in previous monthly summary reports, one would expect to see improvement in overall performance as the project progressed.

Implementation of proper environmental practices continues to lag behind other construction operations.

The following discussion focuses on general issues rather than specific occurrences or deficiencies. Specific locations along with concerns and recommendations were discussed in the field with the respective company representatives, as appropriate. The primary concerns with the Downstream Project during the month of March 2003 can be grouped into five general categories. These categories of observed deficiencies and the probable underlying causes are generally the same as those reported in previous monitoring reports. The numbers in parentheses indicate the percentage of URS Monitor Recommendations for corrective action in each category for the month.

1. Timely installation of Best Management Practices to prevent land sliding and excessive erosion and sedimentation of surface waters and bofedale wetlands (**36%**). There remains an urgent need to implement temporary erosion control and slope stabilization measures throughout the project. This is particularly important on ROW sections through the Selva, which have been degraded from heavy rainfall.
2. Timely implementation of spill prevention and secondary containment measures at locations where fuels, lubricants, and other potential contaminants are stored (**30%**).
3. Implementation of effective restoration and slope stabilization, including timely remediation of failed efforts (**13%**).
4. Effective waste management and sanitary practices at camps and along the ROW (**12%**).

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5. Effective Health and Safety Management (9%).

Best Management Practices

Erosion and sediment control measures have been installed in the majority of locations where needed along the ROW. Since construction has now been underway since April 2002, the application rates should aim to achieve a compliance level of 90% – 95%. Anything less than 90% compliance should be considered to be marginally acceptable. The lag in timely and effective erosion and sediment control implementation is a recurring deficiency that is inconsistent with the PMA and Techint's environmental specifications. It is appropriate to expect that Techint would be familiar with these practices at this stage of construction.

Most of the deficiencies observed during March focused on the lack of erosion and sediment control measures in the vicinity of bofedale wetlands, slopes and fill embankments, and at stream/river crossings. This appears to be the result of Techint's inability to give due attention to integrating environmental protection into the sequence of work, resulting in erosion control crews not being able to keep up with the rest of the construction work.

In the Selva, high rainfall and runoff have overwhelmed existing control measures at many locations and created new concerns that should be promptly and effectively corrected as soon as conditions improve. TGP should continue to identify and prioritize problem areas that will require remedial action, and ensure that they are properly addressed as soon as it becomes feasible to commence work in this sector.

Most likely causes for the erosion control problems observed include:

1. Inability of erosion control crews to keep up with other construction activities.
2. Emphasis by Techint on pipelaying production rather than other important responsibilities.
3. Ineffective oversight and enforcement by TGP.

Recommendations to improve performance on this issue include:

1. TGP should provide better surveillance and diligent onsite enforcement.
2. TGP should continue to prioritize areas for receiving stabilization work and BMP installation by Techint. For remote sites, this work should be initiated in a timely manner after the rainy season.
3. Provide better onsite supervision and where necessary, increase the number of workers dedicated to erosion control crews and provide better training regarding erosion control practices.

Spill Prevention and Secondary Containment

Most deficiencies in the deployment of spill contingency and prevention measures continue to be observed in the work camps (most notably, Las Malvinas, Chocoriari and Kepashiato). The most common locations include warehouse areas for bulk fuel/lubricant storage and storage of other potential contaminants used for construction. Improvement is desirable for the implementation of secondary containment measures.

Probable causes include:

1. Techint's priority on pipelaying production to recover from schedule delays, as opposed to a coordinated effort to focus due attention to all aspects of construction.
2. Insufficient due diligence by operations and logistics personnel

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3. Inadequate leadership and training to crews responsible for the proper implementation of spill prevention.
4. Insufficient dedicated staff to implement measures.

Recommendations to improve performance on this issue include:

1. Provide better onsite supervision to identify potential problems and to direct proper implementation of spill prevention and containment practices for camps and other bulk storage areas.
2. Increase the number of crews responsible for implementing proper methods for spill prevention and material storage.
3. Diligent onsite enforcement by TGP.

Waste Management

In most instances, acceptable waste management practices are being followed along the ROW and in the camps (most notably, Patibamba Camp). However, consistent and comprehensive implementation of proper waste management practices has lagged or has been incorrectly applied (mostly in the work camps).

Probable causes include:

1. Inadequate due diligence, leadership by project management and insufficient allocation of workers assigned to waste management.
2. Insufficient surveillance and enforcement by TGP regarding waste management issues.
3. Inadequate engineering design.

Recommendations to improve performance on this issue include:

1. Techint should provide better onsite supervision and where needed, increase the number of workers dedicated to waste management in accordance with the PMA.
2. TGP should take a stronger contractual position to compel Techint to maintain acceptable waste management practices in full compliance with the PMA.

Effective Slope Restoration and Stabilization

Previously restored sites have failed due to high rainfall and runoff conditions. Many problem sites are characterized by fill embankments that have failed. Although some amount of failure of fill slopes and permanent erosion control structures can be expected, there needs to be a cohesive plan to correct these problems in a timely manner.

Most likely causes for the restoration/stabilization problems observed include:

1. Inadequate coordination and supervision of cleanup crews by Techint.
2. Ineffective oversight and enforcement by TGP.

Recommendations to improve performance on this issue include:

1. Techint should coordinate restoration activities so that sites that require reclamation work are not omitted.
2. TGP should provide better surveillance and diligent onsite enforcement.

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Health and Safety Management

The two fatalities recorded in February and March were preventable and suggest an urgent need to instill a greater awareness of safety practices. Although the victims had the induction safety training and other formal training, personal safety needs to be reinforced on a daily basis at the crew level. Foremen and supervisors need to constantly remind their workers to maintain a high level of awareness at all times, not only for themselves but for their co-workers as well. For example, reinforcing the simple practice of making positive eye contact with the compactor operator before approaching the machine might have prevented the fatality at the Calca-Kiteni Road location. Before starting work, each crew should convene a safety/coordination meeting to discuss the work that they will be doing that day and the attendant safety hazards.

Most likely causes for accidents include:

1. Inadequate crew coordination and daily reinforcement of safety practices.
2. Ineffective oversight and enforcement by TGP.

Recommendations to improve performance on this issue include:

1. TGP and Techint should adopt a “zero tolerance” policy toward serious accidents.
2. If not taking place already, each and every crew should hold safety awareness discussions prior to starting work.
3. TGP should provide better surveillance and diligent onsite enforcement.

4.0 SOCIAL MONITORING

4.1 Introduction

URS also monitored the effectiveness of Pluspetrol and TGP’s Community Relations Plan (CRP). The purpose of this plan is to identify, understand, and manage key social aspects of the project that impact the communities within the project’s area of influence. Pluspetrol and TGP have implemented a Community Relations Office to implement the different programs included in the CRP. The Community Relations Office is composed of a community relation manager, a supervisor, and a team of coordinators, who are responsible for the fieldwork.

The monitoring was conducted by visiting active construction camps, communities, and settlements. The following sites were visited during March 2003.

- Nuevo Mundo, Las Malvinas (upstream), Chocoriari, Kepashiato, Kiteni, San Antonio Pacibamaba, Rumichaca, Huaytará, Acocro, Humay camps
- Communities of Segakiato, Kiriguete, Sepahua, Miaria, Monte Carlo, Pinao Yantapachy, Ayavi, Viscapalca, Huancano, Pampamarca, Ccoñañe, Asabran, and Camana, and the Tupac Catari settlement.

Specific monitoring of the following programs was conducted:

- Community Relations and Training Program
- Communications and Consultation Program
- Local Development Program
- Temporary local hiring programs

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In general, the programs specified in TGP's and Pluspetrol's CRP are underway. The following is a summary of the observations and recommendations for the reporting period.

4.1.1 Observations

Community Relations and Training Program

The TGP Community Relations Training Program is designed to prevent, minimize, and manage negative social impacts within the area of influence. Under this program, Pluspetrol and TGP conducted the following activities:

- Techint has requested participation in the supervision and evaluation of the ROW that TGP and the community monitors are conducting. This request will allow Techint to have direct and first hand information regarding controversial issues at the ROW.
- TGP has incorporated 12 more Community Relations Officers to its Social Community Department.
- Members of the village of Union Progreso went on a strike against Techint for not responding to their letter dated March 6, 2003. In the letter the community claimed that Techint mined material from the nearby river during the month of October 2002 without a permit from the municipality. The community also claimed that the trucks that transported the material have created potholes that could pond water from rainfall and create a mosquito problem. They also claimed that Techint had not responded to any of the numerous claims prior to the letter.
- Pluspetrol provided assistance and logistics to the Peruvian National Television who is taping a documentary called "Hand Made" (Hecho a Mano). This documentary will show the indigenous culture of the area of influence of the Camisea Upstream Project. The documentary will be aired during the native community cultural exposition schedule for August 2003 in Lima. There are also plans to present the cultural exposition in Argentina and Cusco.
- Pluspetrol has provided booths to 20 communities for the fluvial community monitoring. Community members conduct the monitoring between 6 am and 6 pm.
- Former Veritas employees received an extra bonus from Pluspetrol from the profits the company earned during the 2002 fiscal year.
- TGP's Social Manager met with URS independent monitors to evaluate the overall Community Relation Program (CRP) and the work performed by the Community Relation Officers. During the meeting the Social Manager presented a new strategy to improve the CRP.
- On March 18, TGP attended the Pisco Shrimp Fishing Association meeting held in Pisco. During the meeting TGP presented the study conducted by Walsh to estimate the shrimp population in the Pisco River. The Association handed a letter to TGP including an amount to compensate the Association due to potential impacts caused by the pipe crossing of Pisco River.
- Techint has posted traffic signs along the Los Libertadores road in the areas where the ROW crosses this road.
- TGP provided logistics to the Ministry of Health (MINSA) to complete its vaccination program in the Upper Urubamba.

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Communication and Consultation Program

The Ministry of Energy and Mines (MEM) conducted a public meeting in the Monte Carlo community. The purpose of the meeting was to inform the communities regarding re-routing of the ROW, installation of new camps and to discuss and answer concern from the communities. Members of CEDIA, COMARU and the Ombudsman Office attended the meeting. During the meeting the representative of MEM indicated that the communities have the right to present observations. Several concerns regarding erosion control, waste management along the ROW, and long-term impacts were discussed.

Local Product Acquisition Program

No information is available from Pluspetrol's local product acquisition program for this period. TGP under this program does not purchase local products.

Land Compensation Program

TGP continued its negotiations for the use of land along the ROW in the Selva, Sierra and Coastal sectors. In the Selva negotiations were conducted with the Camana community for the installation of a temporary camp at the 'El Ponguito' site and the ROW. In the Sierra, negotiations were conducted with the community of Pinao Yantopacha community for the compensation for the land that will be affected by the gas pipeline ROW. In the Coast negotiations were conducted with several landowners who will be impacted by the ROW. Techint has completed the construction of a new house to relocate the Pereira family that was impacted by the ROW.

Local Development Program

- As part of the Local Development Program, TGP is implementing nurseries in communities along the Upper and Lower Urubamba. Four greenhouses have been installed to date at Chocoriari, Segakiato, Itariato y Alto Shimaá. This program has been implemented by Walsh and will produce tree plants for the reforestation of the ROW.
- TGP conducted a workshop at the community of Ayavi to provide information to the communities about the Local Development Program and help the communities to identify priorities for local development. The community identified two development projects and one social project during the workshop.
- TGP has initiated the construction of the medical post at the community of Pacobamba.

Temporary Local Hiring Programs

No information is available from Pluspetrol. During the month of March, TGP hired 103 and 38 local people in the Sierra and Costa sectors.

TGP met with Pluspetrol to coordinate hiring of local natives within the area of influence of the upstream project. Hiring will be done directly by TGP's Community Relations Officers at the communities of Nueva Luz and Miaria.

Camp Conditions

The construction camps in general, provide adequate accommodation for the workers.

Other Issues

- TGP provided logistics (transportation, accommodations, food and support personnel) for MINSA's entomologist.

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- TGP provided medical assistance at the communities of Aendoshiari, Sankibeni, Makasiato y Manintinkiari, provided also emergency assistance during the pneumonia epidemic at the communities of Aendoshiar and Sankibeni.
- TGP has installed traffic signs along the San Antonio-Pacobamba road. During March concrete posts were installed.
- Pluspetrol donated 50 gallons of diesel fuel to the Camisea community medical center for use in their transportation boats.

4.1.2 Recommendations

Community Relations and Training Program

TGP and Pluspetrol are continuing with the implementation of their community relation and training programs. The workshops to train the Community Liaison Officers (CLO) have been very positive.

TGP through its subcontractor Walsh should provide training to local people to manage appropriately and sustainable nurseries once the program is finish.

Techint should make all efforts to attend the scheduled supervision of the ROW activities performed by the community monitoring committees, as they have requested. Several of these visits to the ROW have been postponed due to Techint absence.

TGP should investigate immediately the allegations stated by the Municipality of Union Progreso against Techint on its letter dated March 6. If the allegations are true, then TGP should proceed with the negotiations to compensate the municipality for the mining of the river and proceed with repairs of the streets affected by Techint's equipment and vehicles.

Pluspetrol should provide refreshed induction in fluvial transportation safety. Boat conductors should make sure that rubber boots are removed and shoelaces are loose during the trip.

Communication and Consultation Program

Pluspetrol should have communicated to the communities regarding the filming of the documentary special "Hand Made". Members of the communities were not advised in advance about the filming and the purpose and objectives of the documentary. It was observed that natives were filmed while bathing at the river without their consent.

TGP should take a more proactive attitude when implementing its communication program to avoid situations like the ones at the Tupac Amaru and Chocoriari communities where people (about 35) from several parts of the Upper and Lower Urubamba (as far as Qullibamaba and Sepahua) gather seeking employment opportunities. A similar situation was observed at the Rumichaca camp in the month of February.

Land Compensation Program

TGP should continue implementing the land compensation and relocation programs more effectively. Agreement compensations have not been yet signed or compensations have not been paid at affected communities along the ROW in the Selva, Sierra and Costa sectors. At KP 443+000 the ROW was open without an agreement signed by the landowner.

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Local Development Program

There are expectations among the communities that TGP and Pluspetrol will implement the development programs that are being identified. TGP's and Pluspetrol's commitments should be very clearly stated to avoid false expectations.

Temporary Local Hiring Program

Expectations for local hiring have increased especially in the Selva sector immediately after constructed resumed (see Communication and Consultation Program under Recommendations above). It is important that TGP and Pluspetrol continue communicating the level of local hiring that is expected during construction, and make it clear that any hiring will be done only through TGP's and Pluspetrol's Local Hiring Program. In the Costa sector at Huancano house walls were painted greeting Techint and requesting work.

Other Issues

Construction of the ROW through the Huayllahura community has been stopped. TGP should have been more sensitive and conducted a re-route study to avoid crossing the community through the main plaza. TGP should also prepare a detailed plan to relocate the houses that will be directly or indirectly affected.

On previous monthly reports, URS recommended the placement of traffic warning signs at the Abancay and 9 de Diciembre Avenues in the City of Ayacucho (these two avenues are being used by Techint for transportation of heavy equipment and materials for the project). To date, signs have not been posted and the surface of the 9 de Diciembre Avenue has deteriorated and the transit conditions are very poor. Techint should repair the damages caused and maintain until construction is finished.

There are continued complaints of dust from communities and populated areas due to transportation of equipment and materials to the different construction fronts. This issue was reported on previous monthly reports (November and December 2002). Techint should improve and implement their own specifications to prevent dust by watering these areas and minimize impacts to the ambient air quality.

Pluspetrol and TGP should conduct refresher induction to re-enforce their safety measures at their camps where the use of long sleeve shirts is required. Personnel at the Chocoriari camp were observed in short sleeve shirts.

5.0 FOLLOW-UP ACTIONS

The observations and recommendations discussed above have been discussed with TGP's and Pluspetrol's on-site inspection staff and will be tracked for compliance during subsequent monitoring.