

INFORMATION SUMMARY FOR THE PUBLIC

Host Country(ies)	Iraq
Name of Borrower(s)	HKN Energy Ltd.
Project Description	Development, construction and operation of a new 25,000 barrels of oil per day (“ bpd ”) production processing facility in the Sarsang block of the northern Kurdistan oil and gas fields (the “ Project ”), which is an expansion of an existing oil field operation of HKN Energy Ltd. (the “ Borrower ”).
Proposed OPIC Loan/Guaranty	Up to \$49 million
Total Project Costs	\$97.2 million
U.S. Sponsor	Ross Perot Jr.
Foreign Sponsor	N/A
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 the Project and therefore it is expected to have a neutral impact on U.S. employment. The Project is expected to have a neutral U.S. trade balance impact.
Developmental Effects	This Project is expected to have a positive developmental impact through support of the development of an oil field in the Kurdish region of Iraq. The Project will support the Kurdish Regional Government’s goal to further develop oil reserves in the Sarsang. The Project is expected to create both permanent jobs, and temporary construction jobs during development. In addition, the Project will have significant fiscal impacts through the generation of export earnings from the sale of oil. The Project will help Iraq achieve UN Sustainable Development Goal number 8 (Decent Work and Economic Growth).
Environment	Screening: The Project has been reviewed against OPIC’s 2017 Environmental and Social Policy Statement (“ESPS”) and determined to be categorically eligible. The Project has been screened as Category A because of the potential to emit greater than 100,000 tons of CO _{2e} due to the flaring of associated gas. Key environmental issues associated with onshore oil and gas 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

	<p>result of oil spills; potential for fire and explosion; and occupational health and safety risks. The hydrocarbon reserves are sour and the potential for release of H₂S gas poses additional risks to workers.</p> <p>Applicable Standards: OPIC’s environmental due diligence indicates that the Project will have impacts that must be managed in a manner consistent with the following International Finance Corporation’s Performance Standards (PS):</p> <p>PS1: Assessment and Management of Environmental and Social Risks and Impacts; PS2: Labor and Working Conditions; PS3: Resources Efficiency and Pollution Prevention; PS4: Community Health, Safety and Security; PS6: Biodiversity Conservation and Sustainable Management of Living Natural Resources.</p> <p>Consistent with the Requirements of PS3 (Resources Efficiency and Pollution Prevention) the Project is required to meet applicable provisions of the IFC General Environmental Health and Safety Guidelines and the Environmental Health and Safety Guidelines for On-shore Oil and Gas Development.</p> <p>Environmental Risks: The major environmental risks associated with this Project include potential adverse impacts on air quality; potential to emit greenhouse gases from the flaring of associated gas; potential adverse impacts on surface water, groundwater and soils as a result of oil spills; potential adverse impacts resulting from disposal of sludge, drilling muds and produced water; potential fire and explosion; and occupational health and safety risks.</p> <p>The Project involves the drilling of six new wells and the construction, development and operation of a new 25,000 barrels of oil per day production facility, oil storage tanks, a truck loading and metering facility, intra-field flowlines and long distance pipeline to connect the production, storage and loading facility to the existing well pad infrastructure in the Sarsang Block of Northern Kurdistan, Iraq. The Project will also include 3 worker accommodation camps: a temporary drilling/well services camp designed to house 148 people; the main temporary EPC construction camp designed to house up to 250 people; and a permanent camp for operations that will initially house 200 people with future expansion to 300.</p>
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	<p>The major source of emissions from the Project will be the gas flare, which is expected to flare 15.5 MMscf/day of associated gas until a gas handling facility is constructed by the Kurdistan government. The maximum potential to emit greenhouse gases (primarily methane) is 405,542 tons CO_{2e}/year. Simulations of SO₂ dispersion from the flare indicate that emissions levels will meet Kurdistan and IFC standards.</p> <p>Bottled water will be supplied for the construction and employee camps. Other water required for the camps, drilling, hydrostatic testing and general Project use will be sourced from surface water in the area and treated prior to use. Wastewater will be treated in septic tanks at the temporary camps and by a two stage aeration lagoon system at the permanent camp. Produced water will be trucked to authorized refineries in Iraq for treatment. Hydrotest water will be reused to the maximum extent possible and any excess will be transported to refineries for treatment.</p> <p>The Project will only use water-based drilling fluids. Drill cuttings will be permitted to dry and then encapsulated in concrete. The solidified product will be used on roads on the Project site. Non-hazardous waste will be transported to a local landfill. Organic and medical wastes will be incinerated in one of the three incinerators on the Project site. Hazardous wastes will be transported off site by a licensed contractor for disposal at licensed facilities.</p> <p>Environmental, Health and Safety Mitigation: At the corporate level the Borrower has a well-developed Health Safety and Environmental Management System that consists of a series of policies, procedures, guidelines and plans that provide staff and contractors guidance on environmental, health and safety management expectations and recommended operating practices. OPIC will require the Borrower to revise the Management System to address specific conditions and design of this Project and to reflect the Project organizational structure and unique risks posed by the well head design. The Project will also be required to monitor water use and biodiversity. Risks of oil spills, fire and well blow-outs will be properly managed.</p>
Social Assessment	<p>The Project will be required to operate in a manner consistent with the International Finance Corporation’s Performance Standards, OPIC’s Environmental and Social Policy Statement and applicable local laws.</p>

	<p>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, 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>This Project is for the construction and operation of a new oil production processing facility and well pad infrastructure within the existing Sarsang Block operated by HKN in Northern Kurdistan. The main social issues associated with the Project are: management of contracted workers, security forces, engagement of dispersed communities and internally displaced persons, and land acquisition within a post-conflict setting.</p> <p>The Project has in place an environmental and social management system as well as a number of procedures related to social and labor management. To align the Project with the IFC Performance Standards, the Project will be required to strengthen its stakeholder engagement procedures, internal and external grievance mechanism, and contractor management. To ensure compliance, the Borrower will be required to conduct a third-party audit of its land acquisition and compensation activities against PS5.</p> <p>This review covers the commensurate human rights risks associated with oil production in Iraq.</p>
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