

## **Initial Project Summary**

Project Location: Northern Kurdistan, Iraq

Name of Applicant: HKN Energy Ltd.

Name of Project: Sarsang Production Expansion

Project Description: The Project involves the expansion of the Sarsang oil field development, including the drilling of up to 5 new wells, construction of a 21 km oil pipeline and the installation of a 25,000 bpd oil processing facility. The Project also involves the construction of ancillary infrastructure including worker accommodation, access roads and a flare designed to combust 17.250 million scf of associated gas per day.

Environmental and Social Categorization and Rationale: The Project has been reviewed against OPIC's categorical prohibitions and determined to be categorically eligible. The Project has been screened as Category A because projected greenhouse gas emissions exceed 100,000 tons of carbon dioxide equivalent (CO<sub>2e</sub>) per year. 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 result of oil spills; potential for fire and explosion; and occupational health and safety risks. The main social risks for the Project include labor and security management; engagement and consultation with nearby residents, sensitive receptors, and land users; potential loss of agricultural land; potential population influx; and potential impacts to cultural heritage.

Environmental and Social Standards: The Project is expected to have impacts that will need to be managed in accordance with applicable provisions of the 2012 International Finance Corporation's Performance Standards ("PS"). For this Project, applicable provisions are:

- 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 6: Biodiversity; and
- PS 8: Cultural Heritage.

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 (2006). Power generation assets have a total rated heat input capacity of less than 50 MW thermal input on a High Heat Value basis; therefore, the EHS Guidelines for Thermal Power do not apply.

Location of Local Access to Project Information:

HKN Energy  
278 English Village  
Erbil, Iraq

