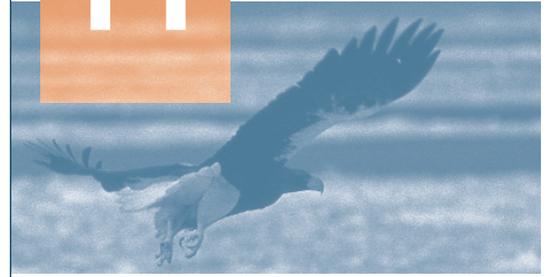


Chapter

11



Russian Content, Employment and Business Opportunities

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Russian Content, Employment and Business Opportunities

11.1 INTRODUCTION

According to the PSA, over the lifetime of the Project SEIC is committed to a best effort to achieve 70% use of Russian labour, materials, equipment and contractors. This commitment is key to the employment and business procurement practices of SEIC.

In the following sections the basic commitments to Russian Content will be described and the employment and business practices employed to:

- Meet the target for Russian Content laid out in the PSA,
- Recruit and employ Russian Nationals,
- Promote and utilise Russian businesses, and to
- Give preferential treatment, to the extent practicable and possible, to the people and businesses of the Sakhalin Oblast.

11.2 RUSSIAN CONTENT

11.2.1 Terms Under the PSA

Under the terms of the Sakhalin II PSA, SEIC will use its best efforts to maximise the Russian Content in each year and to achieve a level of Russian Content (including labour, materials, equipment and contract services) of seventy percent (70%) over the life of the entire Project. It is important to note that:

- This does not necessarily mean SEIC needs to achieve 70% Russian Content each year,
- The percentage of Russian Content is measured - as agreed in the PSA - on an overall quantity basis (*i.e.*, volume of materials and equipment and man-hours of services),
- The percentage of Russian Content is not measured in US\$ or any other currency,
- SEIC must give preference to qualified Russian enterprises over non-Russian ones, if the tender from the Russian enterprise satisfies the Project requirements as to price, quality and timing of delivery,
- A tenderer is considered a Russian enterprise if at least 50% of its equity is held directly or indirectly by Russian natural or juridical persons or by any governmental authority, and
- SEIC will maximise, to the extent practicable, the employment of Russian Nationals, both in its direct operations and in the operations of subcontractors.

Over the lifetime of the Project it is forecast that the Russian Content will comprise:

- More than 80% person-hours, and
- About 70% of volume of materials and equipment.

Although it is not yet known how much of this Russian Content will accrue to Sakhalin Region, it is expected that the expenditure on Phase 2 will be significant compared to the Sakhalin Region GRP.

11.2.2 Historical Awards

- The value of contracts awarded to Russian enterprises (through September 1, 2002) was over US\$800 million,
- The percentage value of contracts competitively bid by SEIC in 2001: almost 80% – about the same number of competitively bid contracts were won by Russian enterprises as by non-Russian enterprises (265 versus 299, respectively).

TABLE 11-01: MAJOR CONTRACTS AWARDED TO RUSSIAN ENTERPRISES

Russian Company	Type of Goods or Service	Approx. Value (Millions US\$)
Amur Shipbuilding Plant	Spacer fabrication	35
DalMorNefteGeofisika	3D seismic survey	21
SRG-Sphera-Ayoka	Housing/Offices	50
SMNG/SBM/ICB	FSO/SALM lease	100
Sakhalin Support Services	Shore base and fuel	26
Sakhalin Shelf Fleet	Supply boats and vessel charter	34
Rosneft-SMNG	Vessel charter	14
FEMCO	Drilling rig and services	28
Amur Shipbuilding Plant	Water Flood Module fabrication	9
Grenada/Ferguson Simek Clark	Zima Expansion Project	50
Transstroy Shelf	Design and construction accommodation facilities for IUP	5
Institute of Natural Resources	Land marking for cadastral registration	5

11.2.3 Future Awards

A significant portion of the Phase 2 construction has also been set aside for Russian industries. These include:

TABLE 11-02: RUSSIAN CONTENT REQUIREMENT

Facility	Russian Content Requirement
LNG	– Minimum requirement of Russian industry utilisation of approximately 30%.
OPF	– Base case bid must be based on a target Russian industry utilisation of 80%. Optional bid without constraint also requested.
Onshore pipelines	– Base case bid must be based on a target Russian industry utilisation of 80%. Optional bid without constraint also requested. All EPC (Engineer, Procure and Construct) tenderers involve at least one major Russian co-partner.
Platforms	Concrete Gravity Base support structures for offshore platforms also allows to maximise opportunities for Russian industry participation.

11.2.4 SEIC Russian Content Staff and Reporting Requirements

SEIC has dedicated Russian Content staff in both Moscow and Yuzhno-Sakhalinsk. These individuals are responsible for promoting, facilitating, and reporting on SEICs efforts to maximise benefits to the Russian Federation under the terms of the PSA. This group is responsible for the data capturing system to actually measure Russian Content.¹⁴

SEIC reports on a quarterly basis to the Supervisory Board, the total number and US\$ value of contracts awarded, and the number and US\$ value of contracts awarded to Russian enterprises.

SEIC also works with the Joint Committee, which includes representatives of the Russian Federation, Sakhalin Region and SEIC since 1998 with the main purpose of maximising Russian Content and the utilisation of Russian Industry. The Joint Committee is described in greater detail in the following section.

11.3 EMPLOYMENT AND BUSINESS OPPORTUNITIES

11.3.1 Construction Employment

11.3.1.1 Estimates

Phase 2 construction work started in 2002 on infrastructure upgrades. All construction is expected to be completed in the period around 2008. During this period, a large number of temporary and short-term construction jobs will be created. These will range in duration from several months to two or three years.

¹⁴ Reporting of Russian Content data is not a PSA requirement.

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In total, on average between 5,000 and 8,000 individuals are expected to be employed during construction with a peak construction estimate of about 12,000-13,000. In addition 1050-1450 new jobs are expected to be added for the operational phase of Phase 2. It is expected that most construction workers will be hired from the available labour pool on Sakhalin and the Russian mainland.

Preliminary estimates of the average range of number of jobs and peak construction demand on the Island are given below.

TABLE 11-03: ESTIMATED EMPLOYMENT FIGURES: CONSTRUCTION PHASE

Onshore Construction	Start	End	Average Range	Peak
LNG/OET	2003	2006/2008	2,000-3,000	4500
OPF	2003	2006/2008	250-450	1000
Booster Station # 2	2004	2008	150-200	200
Pipeline	2003	2005	3,000-4,000	6,000
Total			5,400-7,650	11,700

The largest number of construction jobs in a limited geographical area will be in Korsakov District during the construction of the LNG OET.

Examples of the types of skilled workers that will be needed during construction include:

TABLE 11-04: TYPES OF SKILLED WORKERS NEEDED

Types of Workers Needed	
- Bulldozer operators	- Carpenters and electricians
- Welders	- Smiths for reinforced concrete
- Shovel operators	- Side boom pipelayer operators
- Crane operators	- Testing equipment technicians
- Insulating works specialists	- Metalwork assemblers

Based on information gathered by SEIC in 2001 from a variety of sources, including the Sakhalin Regional Administration, it is estimated that there are about 6,000 individuals on the Island with the qualifications (including those in small to medium companies) needed by the Project to fill construction jobs. It is further estimated about half of these individuals already hold jobs, leaving a potential labour pool of only about 3,000 individuals.

It is expected that construction companies will recruit workers by placing advertisements in suitable publications and working with the appropriate local authorities. A review of the sub-specialities of Sakhalin Oblast residents suggests that there may be sufficient numbers of welders, carpenters, construction surveyors, and metalwork assemblers, control equipment technicians, civil construction specialists and concrete workers on Sakhalin to fulfil the requirements of the construction phase.

These individuals are concentrated in Yuzhno-Sakhalinsk, and the Korsakov, Dolinsk, and Poronaisk Districts. However, the review has also indicated there is a deficit of qualified labour in the region with specialist skills such as insulator workers, riggers, scaffolders, heavy lifting operators and diesel and gas turbine mechanics.

The estimates given above do not include the significant secondary employment, which will be generated as a result of increased demands for local goods and services.

11.3.1.2 General Short-Term Employment Issues

Creation of jobs and employment opportunities was the major issue identified during the SIA effort. As a result, unmet hiring expectations are likely to be important.

- Potential contractors have reported they expect 70 to 95% of the workforce to be Russian. Estimates of employment from Sakhalin Island and the Russian Far East vary from 25 to 65% of the workforce, and
- Potential cumulative demand for workers as per construction of Sakhalin I Project and other Island infrastructure upgrade projects may lead to local labour shortages and wage inflation.

11.3.1.3 Construction Contractor Hiring Expectations

- Skilled workers: Expectation of finding the required numbers on Sakhalin Island is not high.
- Semi-skilled and unskilled workers: Sufficient local labour is probably available for such jobs as civil construction and design, support services, transportation, and security positions.
- Composition of work force: Based on experience the workforce will comprise about 90-95% men. Most women hired will be locals and not live in construction camps.

11.3.1.4 Workers with Employable Skills on Sakhalin Island

Since the economic decline of the 1990s there has been a significant level of intra-island migration of individuals from rural communities to district centres and Yuzhno-Sakhalinsk in search of work. Off-island migration did not exceed in-migration for the first time in 10 years in 2001. Much of the off-island migration was by workers in search of other economic opportunities.

Given the high level of unemployment, there is a demand for local job creation on Sakhalin Island. However, there are only a limited number of skilled construction workers on Sakhalin Island according to a 2001 survey of local employment authorities. The number of short-term moderate and highly skilled construction jobs needed is expected to exceed the number of employable workers with these skills on the Island.

Employment figures released by local authorities are not considered an accurate reflection of employable people. There is a significant level of unregistered workers in many rural communities who are not counted in unemployment records and who may be able to fill some positions. Because Russian centralised employment offices are located in district centres many potentially employable workers are not registered. This is partially due to lack of reliable public transportation and costs, as well as the structure of how these offices recruit individuals.

In many rural communities, potentially employable workers want to know what skills are needed and how to apply for employment.

There is also a current shortage of English language teachers in Sakhalin Region. Many have left teaching positions to work for international businesses on the island and as a result the potential pool of bilingual local employees needed in most international business firms is limited.

11.3.1.5 Transparency in Recruitment/Hiring Process

- There is a need to ensure the widest possible range of people with the necessary job skills from Sakhalin Region is given the opportunity to apply for jobs.
- There is a perception among portions of the employable workforce that construction workers will be selectively recruited and employed. This attitude is based on long-term observations within communities. The lack of equal access and opportunities may lead to expressions of discontent among local workers, if the perception exists that they are not given equal access to the recruitment and hiring process.
- Implementation of ITT/Contractor requirements and SEIC actions as described below.

11.3.1.6 Skills Training Prior to and During Construction Employment

- All workers are expected to receive basic orientation/refresher courses for Health, Safety and Environment (HSE) standards to the extent required.
- To the extent required the contractor-training program will include refresher and induction training to ensure that all workers have the necessary understanding and knowledge levels for each job.
- On-the-job informal training sessions and discussions will be provided as appropriate.

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11.3.2 Operations Employment

11.3.2.1 Estimates

- At present, there are about 350 SEIC (Russian and expatriate) operations, technical support, and business services personnel working on in SEIC Yuzhno and Moscow offices and offshore platforms.
- About 1,050-1,450 new long-term SEIC and additional contract jobs will have been directly created on the Island by the time the Piltun-Astokhskoye and Lunskoye oil and gas fields are fully developed. In 2008, it is estimated that Russian Nationals will fill 50-70% of all these jobs.
- This number will continue to increase as individuals obtain proficiency in their positions and Russian Nationals will eventually replace most expatriate staff.

The numbers do not include service type contractor (e.g., janitorial)

TABLE 11-05: ESTIMATED SEIC 2008 EMPLOYMENT FIGURES - OPERATIONS PHASE

Operations	Existing	New	Total
LNG/OET	0	200-300	200-300
OPF	0	200-300	200-300
Offshore platforms	100	500-600	600-700
Pipeline (including Booster Station # 2)	0	50-100	50-100
SEIC Offices (Yuzhno and Moscow)	250	100-150	350-400
Total	350	1,050-1,450	1,400-1,800

- Employment of permanent Russian personnel for Phase 2 Operations will begin in 2002 and will continue until the majority of all long-term jobs are filled. The process of hiring specialists usually takes around six months. During this time, SEIC will place advertisements, review applications, conduct interviews and offer positions to qualified individuals. Russian staff will be recruited from throughout Russia, with preference given to existing Sakhalin residents, providing that they are equally well qualified.

11.3.2.2 SEIC Direct Long-Term Employment

- There will be a major positive economic impact during operations from the number of people employed at permanent facility sites, primarily in Yuzhno-Sakhalinsk, Korsakov, and Nogliki.
- There will be a small multiplier effect in other local communities, but this will not be significant given the small number of people who will be employed from these remote communities.
- About 900 of the new staff required for Phase 2 Operations will be obtained through service contracts (e.g., transport, security services, vehicle maintenance, environmental monitoring contracts). As a result there will be a longer-term positive impact from employment income associated with these activities.
- The Russian portion of the workforce will increase to about 50-70% of the workforce by 2008, as Russian Nationals acquire specialised technical and managerial expertise.

11.3.2.3 Local Skills Development

- Individuals employed during the operational phase will benefit from personal development and skills training opportunities.
- Although there are a number of skilled workers on the island, opportunities exist for hiring/advancement in well-paying jobs with International firms.

11.3.3 Construction Business Opportunities

11.3.3.1 International and Russian Federation Business Opportunities

With an investment volume of about US\$10 billion there are numerous opportunities for international and Russian enterprises. The main contracts will be for the two platform decks, the platform structures carrying the decks, offshore and onshore pipelines including a second booster station, the OPF (including the first booster station), the LNG plant and the LNG/OET export terminal.

However, the main contractors will employ numerous subcontractors. As the choice of main contractors will be based on competitive tendering an indication of the construction work distribution over different countries will only be obtained after all the bids are received and evaluated and even then the final choice of subcontractors will probably not be known.

The tender process is standard and is mainly based on competitive bidding. However, in line with the PSA obligation preference is given to Russian enterprises if they are equal in price, quality, and delivery timing. To meet the obligation under the PSA to achieve 70% Russian Content over the lifetime of the Project, SEIC actively promotes a maximisation of Russian Content. Actions related to this objective are:

- A Vendor Assessment Programme (VAP) has been initiated with the intention of identifying Russian Vendors, which could potentially participate in the Sakhalin II Project. The VAP has addressed a wide cross section of Russian Industry covering all the Major requirements of the Sakhalin II Project,
- Requesting bids for certain specified levels of Russian industry utilisation,
- Advertisements in Russian press with the purpose of locating additional potential Russian contractors,
- Contract plan on SEICs website, also updated regularly and shared with the Russian Party, in order to identify potential Russian contractors at the earliest stage of the tender process,
- Close and structured co-operation with the Russian Party in a Joint Committee (see below),
- Promoting joint ventures between Russian and non-Russian enterprises so know-how, commercial or technical can be transferred. There are numerous examples where this approach has proven successful,
- Ensuring that the engineering contractors make specific provisions for incorporating Russian equipment into the engineering design, and make intensive use of Russian design institutes, and
- Informing Russian industry on the scope of specific requirements of the Sakhalin II Project through major seminars for current and potential contractors.

In order to provide a forum for the Russian Party and SEIC to promote the use of Russian industry and to discuss related contract issues at the working level, the

FIG. 11-01: COMPOSITION OF JOINT COMMITTEE



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Supervisory Board established in June 1998 a working mechanism called the Joint Committee.

The Joint Committee consists of two representatives of the federal authorities, two representatives of the Sakhalin Regional Administration and two representatives of SEIC. The Joint Committee meets regularly and its work has greatly enhanced the transparency of the contract awards. It also provides a forum for the Russian Party to nominate Russian enterprises as potentially interesting bidders.

At the same time, it helps SEIC to better understand the Russian business environment and to identify Russian vendors that may not have been known to the SEIC specialists.

11.3.3.2 Business Opportunities on Sakhalin Island

The economic decline in the mid-1990s led to the closure of many businesses and industries on Sakhalin Island. In some cases, businesses have been identified which are working at only partial capacity (*e.g.*, some collective farms and bakeries). Equipment is in place as well as the former workforce, which would only require upgrades in skill training and/or placement of secure orders in order to provide a reliable product supply.

In many district centres and rural communities, the SA Group found many businesses eager for work, and that with the placement of secured orders can implement the necessary actions in order to bring their factories/business back to full capacity.

Local contractor identification takes place via regional representatives in the Joint Committee. Press adverts and also seminars provide further opportunities for Russian and local enterprises to become acquainted with the project and opportunities. The Company policy also foresees the possibility to provide some support to implement/promote HSE management in a bidding Russian company in case this company would only fail to win a bid because of the requirements for HSE management.

11.3.4 Long-Term Operations Business Opportunities

11.3.4.1 International and Russian Federation Business Opportunities

Major improvements to the island infrastructure system such as roads, ports, bridges, and airports will have to be made, providing more opportunities for Russian construction companies. Phase 2 of the Project will provide further extensive business opportunities. It is estimated the operational phase will require a substantial volume of services, at a level of about US\$100-150 million/annum.

Contractors will provide the bulk of these services and again the provision of these services will be mostly determined by competitive tendering according to the established procedures, including accounting for Russian Content. Clearly this opens up opportunities for the development of local oil and gas services industry. The service activities span a wide range, from logistics services, transportation, and communications to catering. The competitiveness of companies will be improved by having a Russian, particularly a local Russian, presence. There are already examples that teaming up with local/Russian firms takes place (*e.g.*, Sodexho and Natchiq) in Phase 1.

11.3.4.2 Business Opportunities on Sakhalin Island

Apart from the above oil and gas related opportunities, the Project also generates numerous local business opportunities, non-oil and gas industry related, particularly in the form of important indirect benefits. There will be important spin-offs as demand rises for support industries and services.

The major long-term impact is felt through what is known as the multiplier effect. As studies have shown in the other energy producing areas around the globe, industrial activity by the oil and gas industry stimulates wider growth of the economy sectors that are not related to each other and/or to oil and gas industry directly. As more jobs are created, as more money is invested, as more taxes are paid, new businesses and services open up.

Each job in the oil and gas industry helps to create many new jobs in other industries and in the service sector, such as construction, transport, public catering, communications, and education. Increasing employment, new jobs leading to learning new skills, and the skilled workforce attracting new manufacturing businesses. As is known, higher employment entails more funds allocated for the purchase of furniture, household appliances, clothing, cars, recreation, etc. All this stimulates the local economy, multiplying several times over the benefit of initial expenditure and creating a strong healthy economy with good long-term employment prospects.

11.4 MITIGATION AND MONITORING MEASURES

11.4.1 Contractor Mitigation/Monitoring Actions

The following section describes SEIC actions, which will be incorporated as Contractor (and subcontractor) requirements as a condition of project award.

Construction Contractor Plan for Recruitment and Employment	
The Contractor will develop and implement a comprehensive recruitment and employment Plan to be reviewed and approved by SEIC. This Plan will include a description of:	
Recruitment/hiring of workers from the Russian Federation	<ul style="list-style-type: none"> – How workers are recruited/employed from the Russian Far East and other parts of mainland Russia (including preferences given to previous employees who possess suitable skills and qualifications). – A preferential approach to hire workers from the Oblast and project-affected communities to the extent practicable and possible, providing they are suitably qualified.
Recruitment/hiring of workers from the Sakhalin Oblast	<ul style="list-style-type: none"> – A preferential approach to hire workers from the Oblast and project-affected communities to the extent practicable and possible, providing they are suitably qualified. – How contractor will implement the SEICs public commitment to local jobs advertising and recruitment including: <ul style="list-style-type: none"> – Plans to advertise jobs in local newspapers, and – Consultation local employment authorities. – Methods by which information on local jobs needed, skills, application timing and locations be made available to communities and SEIC CLO staff for dissemination of information in local communities. – Actions/interfaces to be taken by Contractors community liaison staff to work with local communities and hiring authorities to facilitate the identification and recruitment of suitable individuals. This will also describe how contractor CLO will interface with the SEIC CLO.
Transparency of Recruitment hiring	<ul style="list-style-type: none"> – Methods to ensure transparent recruitment/hiring procedures including, to the extent practicable and feasible under Russian Federation labour laws – Interactions with local employment authorities to develop/create transparent lists of suitable qualified individuals from communities most affected by Project land needs. – Actions to be taken to verify location of permanent residence of workers. – Workers in search of jobs. Instead, how job-seekers to will be directed to the appropriate hiring channels. – Methods to ensure that bribes/corruption will not be accepted/used in hiring.
Management of Jobs Expectations	<ul style="list-style-type: none"> – Process to be used to ensure that clear and specific job descriptions are provided to communities in advance and in such a manner as to not encourage submission of jobs applications from clearly unsuited individuals. – Communication of pre-employment HSE and drug/alcohol testing policies as well as employment HSE policies to minimise the potential for unsuitable candidates to apply for jobs.
Education and Training	<ul style="list-style-type: none"> – Discouragement of hiring at Project gates to minimise potential for in-migration to communities by unemployed – Interactions with local authorities to provide pre-employment jobs skills training as practicable and feasible.
Contractor Interactions with Governmental Authorities	<p>Contractor will work with regional and local authorities to:</p> <ul style="list-style-type: none"> – Issue employment-related governmental authorisations and/or permits required in a timely manner, – Assist the Project in disseminating information related to job opportunities, identification of suitable candidates, and employment registration procedures, and – Provide information needed such that they can fulfil any Project-related oversight and regulatory responsibilities including compliance with applicable SNIPs and other employment-related HSE policies.
Single Sex Camps	<ul style="list-style-type: none"> – Contractor will ensure that all temporary construction camps/site are designed/built in such a manner that workers of both sexes can be accommodated.
Contractor Reporting Requirements and Indicators	<p>In order to monitor this process Contractor will be required to regularly report:</p> <ul style="list-style-type: none"> – Overall Russian Content/goals of the contract, – Efforts made to recruit and employ workers from the Sakhalin Oblast and the Russian Federation, and – Number of workers hired/on the payroll/terminated from the Sakhalin Oblast and other specifications.

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Construction Contractor Plan to Enhance Procurement of Russian Federation and Local Goods and Services	
Contractor will be required to develop a Plan for review and approval concerning methods to enhance local procurement of goods/services. This may include assistance with renovation/repairs, bringing back on line industries, which closed during the 1996 economic decline in order to fill Project procurement needs.	
Procurement of Goods/Services from the Russian Federation	<ul style="list-style-type: none"> – Company is in the process of continuously trying to identify potential Russian enterprises for the provision of goods and services by means of an extensive Vendor Assessment Program. – Company actively seeks support from the Russian Party through the Joint Committee in order to identify potential Russian enterprises for the provision of goods and services. – Company provides recommended Russian vendor lists to its EPC contractors. – Company has in place a Vendor Registration data base in order to maintain up-to-date information on its active and potential Russian vendors. – Contractors are requested to provide a plan on how they will try and maximise Russian Content.
Procurement of Local Goods/Services from the Sakhalin Oblast	<ul style="list-style-type: none"> – A preferential approach to utilising businesses from the Oblast and project-affected communities capable of providing the required goods and services to the Project provided they are competitive with regards to price, quality, reliability, availability, and delivery terms. – Methods by which information on local goods/services needed, timing and locations be made available to communities and SEIC CLO staff for dissemination of information in local communities. – Actions/interfaces to be taken by Contractor's community liaison staff to work with local communities and authorities to facilitate the procurement of local goods and services. This will also describe how contractor CLO will interface with the SEIC CLO.
Contractor Reporting Requirements and Indicators	<p>In order to monitor this process Contractor will be required to regularly report:</p> <ul style="list-style-type: none"> – Overall Russian Content/goals, – Efforts/actions made to utilise goods and services from the Sakhalin Oblast, – Efforts/actions to support/develop local businesses (agricultural/other) from the Sakhalin Oblast, and – Number, type, and value of contracts awarded for various types of goods and services.

11.4.2 SEIC Mitigation/Monitoring Actions

TOPIC	SEIC ACTIONS
Reporting on Russian Content throughout the life of the Project	SEIC will regularly report on progress made as per PSA requirements to achieve Russian Content of 70% over the life of the Project.
Implementation of SEIC Commitment on Construction-Related Hiring Policy (December 2001)	<p>Prior to start of major construction SEIC will:</p> <ul style="list-style-type: none"> – Work with regional employment authorities to develop a plan to gather job applications from potential jobs candidates, – Work with the construction firms to gather and evaluate applications deposited with regional authorities, and – Have contractors advertise jobs in local newspapers. <p>Contractors will hire workers directly.</p> <p>Provide additional information to Contractors after SEIC has agreed on a procedure with local authorities.</p> <p>The Project will cooperate with local employment services to provide information to construction workers to find new employment.</p>
Employment Recruitment/Hiring during Construction and Operations	<ul style="list-style-type: none"> – Monitoring of contractor recruitment and hiring process, hiring, and performance, including Contractor's reporting requirement indicators. – Monitoring and solicitation of feedback from local governmental authorities and communities concerning contractor's recruitment and hiring procedures through its CLO staff. – Monitoring as per compliance with Russian Federation employment standards.
Management of Unmet Hiring Expectations during Construction	<p>Unmet expectations for direct construction employment; it requires a comprehensive and transparent employment recruitment/hiring process to manage these issues.</p> <p>SEIC will seek to manage these expectations through systematic and comprehensive dissemination of:</p> <ul style="list-style-type: none"> – Interactions with project contractors, – Dissemination of information through channels such as radio, television, newspapers, distribution of leaflets, and/or posters in public locations, – Facilitating dissemination of information to local authorities and communities, and – Regular updating/briefings in communities by CLO staff.

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TOPIC	SEIC ACTIONS
Community Liaison Efforts during Construction and Operations	<p>The CLOs will work with contractors and local employment authorities to facilitate the exchange of information regarding employment opportunities.</p> <p>In local communities CLOs will assist in facilitating this process by:</p> <ul style="list-style-type: none"> – Providing information about the duration of construction activities in their vicinity. This information will be provided and updated at least on a monthly basis. – Making available information on types of jobs needed, skills required, and locations/timings of where applications will be accepted. – Organisation/conduct of meetings/workshops with authorities/locals to inform them of the types of jobs/skills needed for the project. – Work with local employment authorities/Project Contractors to identify potential pools of workers not on current registration roles. – Conduct workshops on how to complete employment applications. – Provide assistance for ensuring that work applications are deposited with local authorities. <p>Monitor community feedback concerning contractor recruitment and hiring procedures.</p>
Support of Local Bilingual (Russian and English) Language Training	<ul style="list-style-type: none"> – In order to assist in meeting the demand for bilingual employees, SEIC will seek appropriate methods to support continuation/further development of English language skills training for the Sakhalin Oblast – SEIC will continue to provide in-house English and Russian language training for employees.
Collection and Dissemination of Information Related to Major Business Opportunities	<p>SEIC has already established a program to facilitate identification of employment/business opportunities with major construction contractors. As part of this effort the Russian Content Group holds regular meetings to update local businesses on potential business opportunities available. During meetings information is disseminated concerning:</p> <ul style="list-style-type: none"> – Types of business opportunities available, – What subcontracts might be available, – What subcontractors need to do in order to be better prepared for this work, and – Providing the same level of information to all potential sub-contractors.
Collection and Dissemination of Information Related to Regional/Local Businesses of the Sakhalin Oblast	<ul style="list-style-type: none"> – SEIC will provide information on local business interests/opportunities collected during the Supplemental Assistance process to potential contractors. – The CLOs will facilitate, to the extent practicable and feasible, the identification and exchange of information between contractor's and local businesses concerning potential business opportunities. – General information will be made available on expected Health and Safety Expectations, quality and business conduct, required technical standards, etc.

11.4.3 Residual Impacts

IMPACT	RESIDUAL
Construction-Related	
Russian Content	<ul style="list-style-type: none"> – Positive: Increase of competitiveness of Russian companies working for Sakhalin II Project. – Development of more competitive forms of business. – Use of international standards. – More opportunities to participate in large oil projects. – Positive: Increase of competitiveness of labour force employed for the project. – Opportunities for employment in other projects. – Positive: increase in wages in construction industry and hence, in general level of wages in linked industries and economy in general. – Negative: inflation of wages and price rise.
Working conditions	<ul style="list-style-type: none"> – Potential residual positive impacts if Russian regulatory and project HSE standards are met through improved working conditions and application of HSE standards.
Direct employment	<p>Direct employment wages/training to individuals/households-wide distribution of economic benefit on Sakhalin Region and other home communities of workers within the Russian Federation.</p> <ul style="list-style-type: none"> – Positive: Partially balanced by the fact that most major contractors tend to re-employ suitable former employees. As a result there is a level of stable income generated for a pool of skilled workers living throughout Russia. – Positive: Satisfactory performance of local workers and training may result in enhanced opportunities for construction-related off-Island employment opportunities, similar to those who will be re-employed from other parts of Russia by contractors to whom the work will be awarded.
Employment business expectations	<ul style="list-style-type: none"> – Variable potential for positive to negative residual perceptions. Especially given current Island view of few direct Project benefits. Level of employment/local benefits will be in part driven by potential cumulative overlap of employment needs by the Sakhalin I project reducing the residual impact. – Monitoring of construction contractor hiring process and systematic management by SEIC should result in a low-moderate residual impact.

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IMPACT	RESIDUAL
Infrastructure Investment	<ul style="list-style-type: none"> – Positive: infrastructure improvement. – Negative: failed expectations of the population associated with the local improvement of the infrastructure.
Gasification	<ul style="list-style-type: none"> – Positive: In the event that gas will be available under the terms of the PSA, a major indirect social and environmental benefit will result from the Project implementation. In the event that gas is not taken up by the Russian State; gasification may lead to decrease in economic expenditures on electricity and fuel. – Negative: Public perceptions of the issue may arise because of failed expectations. SEIC will strive to make these expectations neutral by informing the population of the gasification opportunities. – Reorientation of the fuel industry to markets in Russia and near abroad as a result of decreased demand in coal.
Operations-Related	
Sakhalin Oblast-wide economic benefits	<p>Increase in jobs, infrastructure improvement, and community services as a result of PSA payments to the Sakhalin Region.</p> <ul style="list-style-type: none"> – Opportunities for infrastructure improvement as a result of SEIC PSA payments to Sakhalin Region and development of services. – Opportunities for realisation of social programmes as a result of SEIC PSA payments to Sakhalin Region.
Economic benefits in communities where long-term facilities are sited	<p>Increases in long-term direct and indirect Project-generated economic benefits (jobs/secondary services) in communities where long-term facilities are sited, e.g., Nogliki, Gastello/Poronaysk, Yuzhno-Sakhalinsk/Korsakov.</p> <ul style="list-style-type: none"> – Positive: Creation of long-terms jobs and predictable need for secondary goods and services will result in an overall residual impact on Sakhalin Island.
Changes in numbers of expatriates	<p>Reduction in indirect expatriate spending/support costs in local communities during transition to Russian staffing.</p> <ul style="list-style-type: none"> – Neutral: It is expected that by the time there is a substantial transition to Russian operations staffing, the Sakhalin Oblast will begin realising the economic benefits of the project as per the flow of revenues to the Island.