

Your ref: # 04 – 4967  
# 04 - 209

Our ref: jls/jp/ms/S2-Confirmation of conditional support

Date: 4<sup>th</sup> March 2004

To: Sakhalin Energy Investment Company Ltd  
35 Dzerzhinskogo St.  
Yuzhno-Sakhalinsk, 693020  
Russia



PO Box 2200  
2 Exchange Tower  
Harbour Exchange Square  
London E14 9GS  
Main Fax 020 7512 7649  
Telex 290350 ECGD HQ G  
Switchboard 020 7512 7000  
[www.ecgd.gov.uk](http://www.ecgd.gov.uk)

For the attention of:

Telephone Direct

Dear Sirs

**Sakhalin II (Phase 2) (the Project)**

**ECGD reference: BD2/RUSSIAN FEDERATION/17437**

- 1 We refer to our letter dated 19<sup>th</sup> June 2003 and to the application of Sakhalin Energy Investment Company Ltd (the Borrower) for conditional ECGD support dated 26<sup>th</sup> December 2003 and 27<sup>th</sup> January 2004 in relation to certain contracts arising out of the early stages of the Project and to our meeting with of 4<sup>th</sup> February 2004.
- 2 We are pleased to confirm, as discussed at the meeting of 4<sup>th</sup> February, that ECGD is able to support the contracts detailed in the schedules to this letter (the Preliminary Contracts) subject to the following conditions:
  - 2.1 the acceptability to ECGD of the measures proposed and/or taken to identify and mitigate any adverse environmental and social impacts arising from the Project;
  - 2.2 the establishment of arrangements for the financing of the Project in a form satisfactory to ECGD;
  - 2.3 the establishment of loan facilities (and related ECGD support arrangements) for the financing of the UK procurement element in the Project, including the Preliminary Contracts, in a form satisfactory to ECGD;



- 2.4 the submission in respect of each of the Preliminary Contracts of a further detailed application for approval under such loan facilities in terms acceptable to ECGD;
  - 2.5 the acceptability to ECGD of the outcome of any further due diligence relating to the Preliminary Contracts, or any of them, arising out of any such application for approval; and
  - 2.6 the signature by each UK supplier under the Preliminary Contracts of a Declaration and Undertaking or, as ECGD may require, of recourse arrangements in a form acceptable to ECGD.
- 3 ECGD support is also conditional upon full disclosure to ECGD at all times by the Borrower, and any bank appointed by the Borrower with responsibility for arranging the financing of the UK procurement element in the Project, of all facts that are material to the Project and its financing.
  - 4 ECGD support can only be made available for goods produced or manufactured in the United Kingdom or for services rendered by persons ordinarily resident or ordinarily carrying on business in the United Kingdom and, to a limited extent that has yet to be determined, for foreign goods and services, whether from EC countries or elsewhere. You should note that a particular cause for concern would be those individual contracts where the UK content is less than 20%. In due course ECGD will require a full updated breakdown of the proposed sourcing of each of the Preliminary Contracts in order to determine the eligibility of non UK content.
  - 5 ECGD may withdraw its support by notice in writing if:
    - 5.1 the Borrower is in default of any payment or other obligation under any agreement known to ECGD; or
    - 5.2 in ECGD's opinion, the ability of any party to the Project or its financing to meet its obligations under any of the Project documentation has been or will be materially affected by –
      - 5.2.1 a deterioration in its financial position, or in that of the Borrower's country or in that of any country in which the Project is to be located;
      - 5.2.2 political events, or administrative or legislative measures (such as war or civil war, or export or import restrictions);
      - 5.2.3 a payment default or moratorium by the Borrower's country or by any country in which the Project is to be located, or an approach by any such country to the Paris Club for debt rescheduling, or a public statement made by any such country that it intends to seek debt relief.

6 The details of ECGD's support for the Project are confidential to Sakhalin Energy Investment Company Ltd.

7 If you have any questions please contact \_\_\_\_\_ on

Yours faithfully

For and on behalf of  
The Export Credits Guarantee Department

Name:  
Title: Business Manager  
Division: BD2

cc. SEIC  
SEIC

Encs. 29 schedules relating to the Preliminary Contracts