

Environmental and Labor Issues:

This is a category III project according to the IIC's environmental and labor review procedure because it could produce certain effects that may be avoided or mitigated by following generally recognized performance standards, guidelines, or design criteria. The main environmental considerations related to the project are air emissions and noise, good environmental and occupational health and safety practices, and labor issues.

The project will have a positive impact on air quality because the emission of air pollutants will be reduced, including greenhouse gases associated with the combustion of the liquid hydrocarbons (primarily diesel and crude oil) currently used to generate electricity. The project site is located in an already existing industrial area with oil fields (Block 15) owned by the state and operated by Petroamazonas EP, an Ecuadorian public company, in compliance with Ecuador's environmental and labor regulations. Thus, the project is not expected to have significant adverse environmental or social impacts.

Air Emissions and Noise: This project will make it possible to use flare gas generated during crude oil extraction operations in the project area to obtain electricity through combustion of the flare gas in six generators with an available capacity of between 4 and 5 MW that will be installed and operated by Genser Power to supply electricity to Petroamazonas EP in Ecuador. Thus, gas will replace the diesel or crude oil that is currently used to generate much of the electricity that Petroamazonas EP in Ecuador uses in its industrial operations. Until now, the flare gas has been burned in flare stacks even though it could be used to generate electricity given its heating value. Flare gas will be treated to make it suitable and then used as fuel in the electrical generators, thus reducing oil production costs and, in turn, the air pollution produced by activity in the project area. The process of burning gas in the generators is more efficient and reduces the emission of air pollutants, compared with direct burning in the flare stacks. The project is expected to obtain carbon credits under the Kyoto Protocol Clean Development Mechanism.

A noise study was prepared for the project, with measures that will be implemented to ensure the safety of operational personnel connected to the project and to comply with applicable environmental regulations.

Good Environmental and Occupational Health and Safety Practices, and Labor

Considerations: Genser Power, with offices operating in Colombia and Ecuador, is in the process of implementing its integrated management system in line with ISO 9001, ISO 14001, and OHSAS 18001 standards for quality management, environmental management, and occupational health in its activities. In addition, in its operations the company applies a specific safety, occupational health, and environmental program for hydrocarbon sector contractors. Genser Power will carry out the project according to the standards defined in its integrated management system, ensuring compliance with applicable Ecuadorian regulations and best international practices with respect to the design, operation, and maintenance of power generation installations and assigning the human, material, and technical resources needed to prevent, control, or minimize environmental pollution and prevent accidents. The company will also comply with the provisions set out in Ecuador's labor regulations.

The site where the Genser Power company will carry out the project has a department of health, safety, and the environment that is responsible for ensuring compliance with the impact prevention and mitigation plan that Petroamazonas EP in Ecuador has implemented for its crude oil extraction activities. There is also an emergency response contingency plan to ensure the health and safety of employees and contractors working at the project site. Petroamazonas EP in Ecuador's occupational health, safety, and environmental policy includes a corporate social responsibility program and is

publicly available on the Internet. Petroamazonas EP in Ecuador has ISO 9001, ISO 14001, and OHSAS 18001 certifications.

Oversight and monitoring: Genser Power will prepare an Environmental Management Plan (EMP) to ensure compliance with domestic regulations and the IIC's environmental and workplace safety and health guidelines. The EMP will include a yearly report with information on air emissions and noise, best environmental practices, occupational health and emergency response, and accident reporting.