

1. Environmental Classification

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 and labor considerations related to the project include liquid effluent and air emissions management, noise, solid waste management, labor practices, fire safety, personal safety, and emergency response.

The company is now working on implementing ISO 14001 and OHSAS 18001 standards in its operations. The company's integrated environmental and occupational safety plans provide for implementing the policies, standards, and procedures of those standards, although it has not proceeded to certification yet. CAPSA engages environmental consultants periodically in an ongoing improvement process and incorporates their recommendations in its integrated environmental management system.

2. Main Environmental Impacts

Liquid Effluent Management

CAPSA uses water in the petroleum extraction process using secondary recovery. The water comes from the reservoirs into which it is injected. At its Diadema and Km 20 fields, it injects some 47 million cubic meters of water each day through a network of about 300 injection wells and extracts fluid containing about 97% water through a network of about 500 production wells. All of the water extracted is recovered and reinjected and no liquid effluents are generated in this operation. Contaminated liquids produced at the oil separation plants as well as the tank cleaning slop are treated by landfarming.

Domestic effluents produced in the Diadema area are emptied into the municipal system and those produced in the field are treated using infiltration wells. Special residues such as used lubricating oils or solvents that are not suitable for use in the oil separation plants are removed by authorized companies.

Solid Waste Management

The chemicals that CAPSA purchases for use in the process are delivered on site without containers and therefore CAPSA does not have to deal with final disposal of containers. The supplier is responsible for their removal and subsequent recycling.

The company is working to reduce the amount of contaminated material produced at the new wells. That material is processed internally by landfarming. Those products that cannot be treated internally are delivered to a certified company for treatment.

Domestic waste is sent to a municipal dump. Recyclable waste is donated.

Handling of Hazardous Materials

Hazardous materials at the fields are handled by trained personnel following international safety standards. Deposits of hazardous materials have containment systems in the event of spills. The company does maintenance, repair, and pipe replacement work on a continuous basis in order to reduce spills and leaks to a minimum. The plants have fire detection devices with alarms.

3. Personal Safety and Emergency Response

CAPSA's integrated environmental management and labor program is based on the ISO 14001 and OHSAS 18001 standards with periodic training programs to reduce accidents. It has emergency brigades and mandatory personal protective gear at the fields and processing plants. It has its own fire truck and ambulance that it makes available to the Diadema population. There are contingency and emergency response plans that take into account the specifics of each of the facilities, as well as fire detection and firefighting equipment. There is a specific response plan for oil spills. All tanks have spill containment barriers.

A CAPSA subsidiary company (Hychico) operates within the Diadema field and produces hydrogen and oxygen using hydroelectrolysis. The hydrogen produced is mixed with natural gas from the wells for combustion in a motor generator. The oxygen is bottled for sale at a bottling plant operated by Air Liquide. The plant is an initial stage of a project that involves capturing energy through the installation of wind generators. The electrolysis plant is independent of the other facilities at the field, with a perimeter fence and its own firefighting facilities.

4. Labor and Social Issues

CAPSA complies with national labor laws as well as the standards of the International Labour Organization (ILO). Mandatory core labor standards include social security benefits, freedom of association, organization of workers' unions, and nondiscrimination in the workplace. Contractors' employees are affiliated with the private petroleum workers guild Gremio de Petroleros Privados, while the company's own employees are not. According to Argentine legislation, all workers have medical insurance and workplace accident insurance (ART) as well as their own medical service and periodic medical examinations.

The company maintains close ties with the community within its area of influence and participates in improving the population's living conditions through the Diadema Foundation. It also participates in various local NGOs focusing on environmental protection and topics with social impact such as combating childhood malnutrition, assisting abandoned minors, and a variety of charitable works for the community. It also allows small farmers or cattle ranchers to use the lands within the fields provided they do not interfere with petroleum production.

5. Monitoring and Reporting

CAPSA will prepare, to the satisfaction of the IIC, an Environmental Management Plan (EMP) to ensure compliance with national regulations and IIC guidelines on environmental and workplace safety and hygiene. The EMP shall provide for a yearly report on liquid effluent and solid waste management; health, occupational safety and emergency response training programs; and accident reporting.