

BG Group plc

Environment, Health and Safety Report 2000



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Frank Chapman Chief Executive

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Achieving an appropriate balance between environmental, social and economic issues is increasingly a critical component of our business.

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Chief Executive's Statement

At BG, we regard management of environmental, health and safety issues as an integral part of our overall business performance. Our core product, gas, being the cleanest and having the lowest carbon content of the fossil fuels, brings with it significant scope to improve local air quality and reduce emissions of greenhouse gases. The advantages it brings in terms of energy efficiency and low emissions will increasingly assist governments and industry as they endeavour to address these environmental issues.

Our commitment to improving our health, safety & environmental performance is embedded at the highest level in our Statement of Business Principles. To underpin our commitment to these principles, the remuneration of the Group's management will be determined by health, safety & environmental performance as well as the more traditional business indicators. This linkage brings an important focus in management of health, safety & environmental issues which will be a characteristic of tomorrow's most successful companies.

Following demerger on 23 October 2000, the core business of the 'new' BG lies in the development, management and supply of existing and newly emerging gas markets around the world.

Building on our experience in all parts of the gas chain, we continue to seek innovations in design and operations to help make gas a viable fuel choice to an increasing number of people worldwide with its associated

environmental and social benefits. In particular, we lead exciting developments in natural gas vehicle and domestic combined heat and power technologies that have the potential to encourage the use of gas as a transport fuel and significantly increase domestic energy efficiency. To help to realise this potential, this year we have established a Consumer Products group, specifically tasked with developing and commercialising these innovative technologies within the UK and overseas.

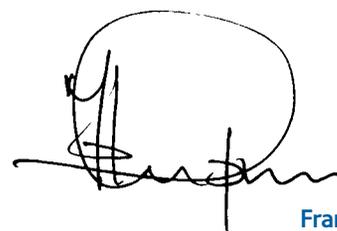
BG recognises that achieving an appropriate balance between environmental, social and economic issues is increasingly a critical component of our business. We need to operate our business in a manner that contributes to the sustainability goals of the countries in which we operate as well as international agreements. Our commitment to progressive improvement in our environmental performance is but one aspect of this contribution. Starting with our inclusion of health and safety performance in this year's report, we will continue to expand our reporting to give a more comprehensive account of our performance in relation to sustainability issues.

During 2000, our assets made significant progress in strengthening their health, safety and environmental management systems. In the environmental arena, we became the first exploration and production company in both Trinidad and Tunisia to certify our environmental management systems to the international standard ISO 14001. Our safety performance continues the excellent improvements seen in 1998 and 1999. Our

overall lost time injury frequency was down over 50 per cent during the year. Our E&P business is setting the standards for others to follow and was highlighted by the International Association of Oil and Gas Producers for exemplary performance improvement. We sincerely regret, however, that despite this success, two employees died in an incident in Brazil when working in an underground valve chamber.

In benchmark indices of environmental and social performance we continued to perform well, topping the list of international energy companies in the Dow Jones Sustainability Index which we entered for the first time.

To progress in a sustainable manner is one of society's biggest challenges. The challenge is all the greater where the effects of our actions transcend national boundaries. The suspension without agreement of the recent Conference of the Parties to the Kyoto Protocol in the Hague illustrates just how complex some issues are. Successful companies recognise the realities of global and local environmental and social issues and respond to the challenge of identifying and providing solutions. The nature of these issues also creates opportunity and BG will continue to develop strategies that turn these opportunities into business value.



Frank Chapman
Chief Executive

BG Group

The second demerger affecting the 'old British Gas' took place on 23 October 2000. With effect from that date, Transco plus BG Technology, BG Property, the Leasing Group and BG's Energy Services business were all transferred to Lattice Group and we commenced business as the new BG Group.

The core business of the new BG lies in the development, management and supply of existing and newly emerging gas markets around the world. As a major integrated gas company, we are well positioned to benefit from the rapid expansion of the international gas industry.

Except where specifically indicated, this report covers the activities in 2000 of the operations continuing within the new BG Group.



BG Group: principal areas of activity in 2000

	2000	1999	1998
Turnover (£m)	2 342	1 685	1 362
Total Operating Profit (£m)	688	330	229
Gas production (mmboe)	77.7	62.6	61.8
Oil production (mmboe)	24.8	25.1	25.1

Group Information – continued operations

BG is active in some 20 countries on four continents. BG's aim is to use its experience and resources to increase the prosperity of the communities in which it works. BG brings energy into the lives of people all over the world. BG's expertise spans the length of the gas chain.

Exploration and Production (E&P) – exploration, development, production and marketing of gas and oil resources.

Liquefied Natural Gas (LNG) – principally comprises the development and operation of infrastructure for the manufacture, export, shipping and import of LNG.

Storage – provides a range of services, based on underground and offshore gas storage facilities, to meet the requirements of customers in Great Britain.

Power Generation – the development, ownership and operation of gas-fired power generation plants.

Transmission and Distribution (T&D) – involves the development, ownership and operation of major pipelines and distribution networks, as well as the distribution of gas through these pipelines from sources of supply to centres of demand and to the end customer.

Health, Safety and Environment Policy

BG Group recognises that the protection of the health and safety of its employees and others involved in or affected by its operations, and the protection of the environment, are an integral part of the Company's business performance and a prime responsibility of management at every level. Wherever in the world the Company operates, it is committed to achieving a high level of performance.

Specifically BG Group will:

- periodically publish a statement of its key health, safety and environmental objectives, and will report publicly on its performance in these areas;
- identify the health, safety and environmental hazards arising from its business, and assess and manage the associated risks;
- develop and maintain effective contingency plans, where appropriate in conjunction with the authorities and emergency services;

- comply as a minimum with legislation and associated codes of practice and, where reasonably practicable, improve on the performance standards they specify;
- endeavour to improve continually its health, safety and environmental performance so that work related ill health and accidents are reduced and environmental emissions, waste, and the use of energy are decreased;
- involve and consult employees and, where appropriate, their representatives;
- provide direction, training and, where appropriate, supervision to enable its employees to meet their obligation to work safely and with due consideration for the health and safety of others and for the environment;
- co-operate fully with relevant enforcement agencies and work with industry and external bodies to further the understanding and development of health, safety and environmental management and practice;
- require its contractors and partners to demonstrate the same level of commitment to continuous improvement in standards of health, safety and environmental performance;
- seek to understand and take account of the health, safety and environmental concerns of staff, customers, shareholders, and communities local to its operations;
- make available appropriate resources to implement the policy;
- ensure compliance with the policy through a process of education, review and audit.

The policy applies to all wholly owned companies in the BG Group and to all activities controlled by BG Group worldwide. In situations where BG Group has a minority interest, it will seek to encourage its partners to follow an equivalent policy.

HS&E Management

BG seeks continuous improvement in health, safety and environmental management by encouraging individual commitment within a structured HS&E Management System.

Organisation

Board level representation for health, safety and environmental matters lies with the Deputy Chief Executive who chairs the HS&E Committee. This committee acts on behalf of the Board and is responsible for determining company strategy and policy and monitoring that Group activities are carried out in compliance with legislation and Company policies.

The Company's operations are divided into 18 geographically defined assets. Responsibility for HS&E performance within these assets lies with the Asset General Managers (AGMs), supported by asset-based HS&E practitioners. Asset and Group-wide performance is reviewed on a monthly basis. The Group Executive review HS&E performance as the first agenda item at all regular meetings.

At head office, a group of HS&E professionals headed by the Vice President, Loss Prevention, provide support and direction to the AGMs, to HS&E practitioners, to non-operational or new venture assets and to the Group Executive team.

BG operates a strong performance ethic. To this end, HS&E issues are treated in the same manner as other business objectives. This is supported by the inclusion of HS&E performance improvement measures within all performance contracts.

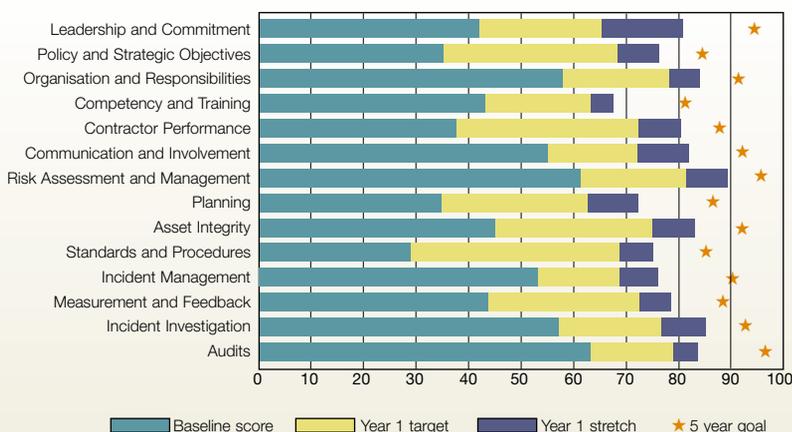
Management System

To establish consistency in practice across its worldwide activities, BG has established an HS&E Management System that provides the framework within which BG's business is conducted. Each asset establishes its own local HS&E Management System to operate within this framework. Where new businesses are developed or acquired, they are required to develop their own management systems within the BG framework. Joint operated companies and joint ventures are encouraged to operate management systems that are consistent with that of BG.

Planning and Objectives

Group HS&E objectives and targets are developed following an annual review of internal and external drivers that include international developments in issues and legislation, audit and review results and identified key risks to delivering the business plan.

These objectives and targets apply to all wholly owned companies within the Group and to all activities controlled by the company worldwide. The Group objectives are, in turn, a driver in the development of each of the assets' HS&E Performance Improvement Plans, each of which also reflects local needs and risks, assessed through the use of a proactive 14 point profile tool. Performance towards the high level objectives quoted in the BG Group plc 1999 Environmental Report for the old business units, BG International and BG Storage are identified in the relevant sections of this report, together with objectives and actions identified for 2001. Of the nineteen actions for 2000, thirteen have been achieved and six are in progress.



14 Point Profiling is used to analyse how the organisation deals with a broad range of health, safety and environmental management activities in areas such as Leadership and Commitment, Contractor Performance and Incident Investigation. An initial assessment provides a baseline for the organisation which highlights the areas where the organisation should focus further effort. The analysis indicates activities which can be undertaken to improve overall HS&E performance. Targets and stretch targets are set for the next year and the actions required to meet those targets form part of the Performance Improvement Plan.

14 Point Profile

HS&E Management

Assurance

BG has installed insurance mechanisms to enable managers at all levels to confirm appropriate controls are in place to manage the HS&E risks within their business and to ensure that management's assurance statements to the Board are robust and well supported. Key elements of the framework include:

- development of policies
- development and implementation of management systems
- internal audits
- annual letters of assurance
- HS&E and Risk Management Committees
- peer review and challenge process
- identification of risks and control measures
- independent verification
- performance reporting

As part of this process, the Group Executive recognises that there are both internal and external benefits to independent assurance of the local environmental management systems it operates. An objective has been established for all major operated assets within the Group to have their Environmental Management Systems accredited to ISO 14001 or the Eco-Management and Audit Scheme (EMAS) international standards.

In 2000, there was continued progress towards this target with the new certification of assets in the UK, Trinidad and Tobago, and Tunisia and renewed registration of the Rough Field, the first offshore facility in the UK to achieve EMAS registration.

An Environmental Management System (EMS) workshop was held early in the year and attended by representatives from all Group operated locations worldwide in order to transfer examples of best practice and to establish a common understanding of the aims and methods of developing certified Management Systems.

Enforcement actions

BG Storage Limited was fined £50 000 at Kingston-upon-Hull Crown Court, for a breach of a Prohibition Notice issued by the Health and Safety Executive in June 1998. The breach occurred at the Rough offshore gas storage facility on February 1, 1999. The Company, which pleaded guilty at Withernsea Magistrates Court in February 2001, was also ordered to pay costs of £38 000.

ISO 14001 Certification

BG Tunisia and BG Trinidad and Tobago (BG T&T) are leading the way in environmental management in their countries. Both developed their Environmental Management Systems in one year and achieved certification to the ISO

14001 standard, following a rigorous review by Det Norske Veritas Quality Assurance Ltd, one of the world's leading certification bodies. Both BG Tunisia and BG T&T were the first offshore energy companies in their respective countries

to achieve this certification. A key to the success within both organisations was the establishment of cross functional committees to develop and execute the actions required to develop and implement the systems.



Hannibal Gas Plant, Tunisia.



Dolphin Gas Platform, Trinidad and Tobago.

Chairman's Awards

The Chairman's Awards, introduced in 1999, recognise significant achievements and stimulate Group-wide interest and initiatives in HS&E. The primary objectives of the awards are to encourage innovation in the drive for continuous improvement in the Group's HS&E performance and to ensure that good ideas are made known and available throughout the Company.

In recognition of the important role that contractors and partners have to play in the Group's HS&E performance, a valuable award category is that for Outstanding Performance by a Contractor/Partner.

Benchmarking

The main benchmarking activities in 2000 took place prior to the demerger of the Lattice Group. At a corporate level, BG continued to participate in the Business in the Environment (BiE) index of Corporate Engagement and maintained a top quartile position in the FTSE 100 ranking table.

For more details see

www.business-in-environment.org.uk

In 2000, BG achieved the highest score in the International Energy Sector, after entering the Dow Jones Sustainability Group Index (DJSGI) for the first time. The DJSGI was the first global sustainability index tracking the performance of the leading sustainability-driven companies worldwide. The Index's objectives are:

- to provide investors and industry with a rigorous and transparent measurement of sustainability performance;
- to financially quantify a company's sustainability strategy and its management of sustainability opportunities, risks and costs;
- to allow companies to view where they are in terms of their economic, environmental and social performance.

More details of the index are available at www.sam-group.com



Mr Renzo Cesaroni of Saipem (right) receiving the Chairman's Award for Outstanding Performance by a Contractor/Partner from BG Chairman Richard V Giordano.

Category	Winning Entry, 2000
Significant Contribution to the Environment	Gujarat Gas, India, for their work on 'Cleaner Air for Citizens of Surat'
Safety Performance Improvement Award	Phoenix Natural Gas, Northern Ireland, for their work on 'Building Awareness of Safety, Health and Environmental Systems' during building works.
Safety Performance Award	Rashpetco, Egypt – Rosetta project for work done to successfully achieve their target of constructing and installing the Rosetta Offshore Platform and its associated pipeline without a lost time incident.
Outstanding Performance by a Contractor/Partner	Saipem – the main rig contractor to the jointly operated Karachaganak Venture, Kazakhstan – for their proactive approach to safety management and excellent safety performance.

Chairman's Awards

HS&E Management

Environmental, health and safety issues within BG Group activities



Sustainability

The drive to obtain an appropriate balance between the social, environmental and economic aspects of the development and use of resources.



Climate change*

Carbon dioxide and methane emissions from fossil fuel supply chains are recognised as significant contributors to global changes in climate. Emissions from BG's operations of the other greenhouse gases are relatively insignificant.



Biodiversity*

Development of 'green field' sites and how the impact of emissions and discharges may affect habitats and species abundance.



Local air quality*

Combustion of fossil fuels results in emission of gases which can lead to adverse effects on human health and the natural and built environment.



Energy efficiency

The conversion efficiency of one form of energy to another, for example, gas to electricity and the efficiency of use of energy.



Contaminated land

The potential presence of contaminants in soil and groundwater arising from historical activities.



Noise

Noise pollution can result from industrial and transport activities in certain environments.



Transport

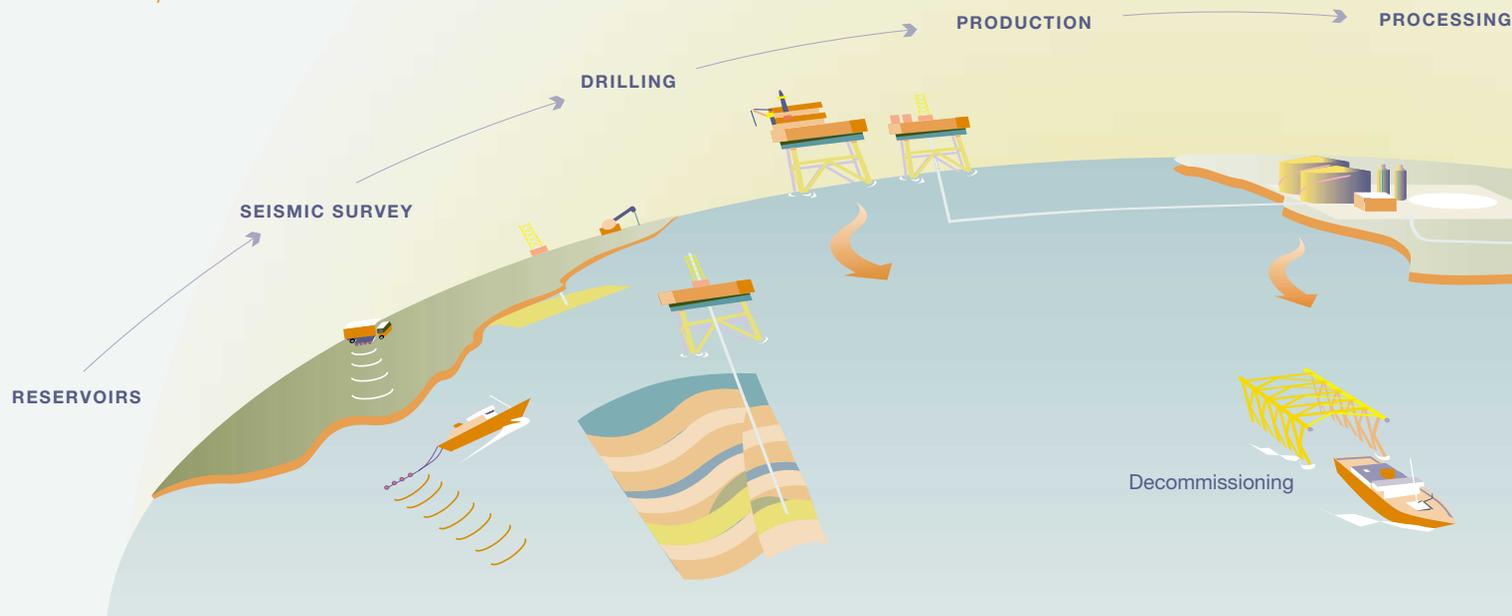
Associated with a range of problems including road safety, climate change, air quality, energy efficiency and congestion of roads.



Streetworks

The installation, maintenance and emergency repair of utility infrastructure (gas pipelines) can present a nuisance and safety hazard to other road users.

* Issues addressed in detail in this report





Health and Safety*

Protection of the health and safety of employees and others involved in or affected by the Group's operations.



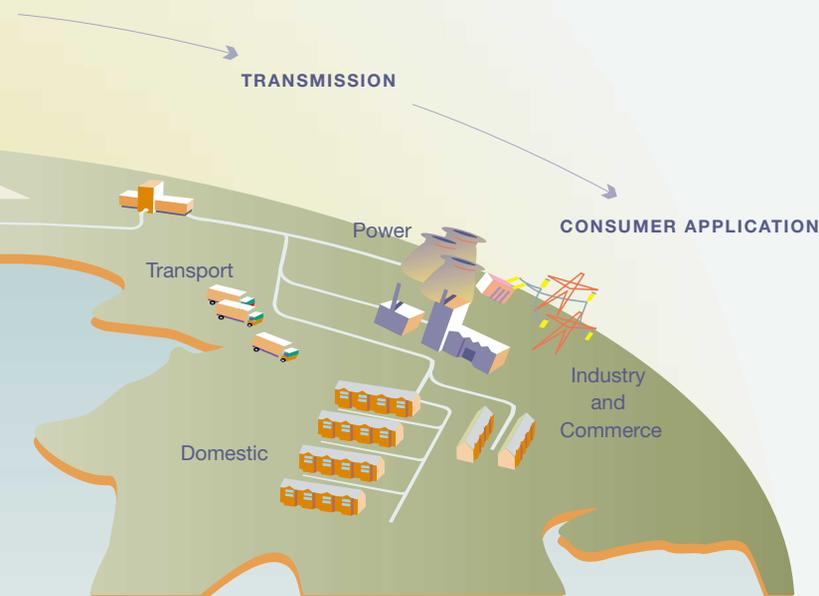
Waste management*

The systematic reduction in the excessive use of raw materials, water and energy consumption and the reuse or recycling of wastes created as a result of routine operational activities.



Water quality

The uncontrolled discharge of waste to the aquatic environment can have a detrimental effect. Maintaining the quality of water resources serves to protect ecosystems and habitats from adverse effects.



Key Issues

BG is involved in developing its business and managing environmental, health and safety issues across the whole of the 'gas chain'. Each of our businesses has a role to play, which will be determined by the types of issue that are relevant to its activity and the sensitivities prevailing in the individual locations. Some issues are of particular interest at a Group level either because they represent a high level risk or opportunity to the business or because the issue is relevant to multiple assets and business sectors. These issues form the basis of this report.

Sustainability

BG recognises the business need to balance the social, environmental and economic components of sustainable development. These considerations are integral to the performance of our individual businesses and the Group's overall performance. We accept the need to operate in a way that contributes to long term sustainability at local and global levels.

Access to energy is essential for development and we recognise the need to address the complex challenges posed by sustainable development to our business activities. These include reducing environmental impacts, conserving resources, contributing to the communities and economies in which we operate and the long-term issue of non-renewable resource depletion. We consider each of these in the context of developing and growing the business.

By committing to address these issues, we will further enhance the overall value of our business. With this report we start to expand our reporting beyond environmental issues to cover other aspects of sustainability. This reporting will be expanded in future years to more fully reflect the social and economic aspects.

HS&E Management Objectives

OBJECTIVE

Develop an objective means of assessing health, safety and environmental risk and prioritising responses

Action 2000

Conduct 14 point profile assessments for newly acquired assets

Status (end 2000)

Achieved: Profiles conducted for all existing and newly acquired assets

OBJECTIVE

Ensure a consistent and structured approach to environmental management

Action 2000

Develop a certified Environmental Management Systems across BG operated locations to 42% completion

Develop and complete registers of significant environmental aspects and impacts for BG operated locations

Establish objectives for significant environmental aspects for BG operated locations

Achieve EMAS accreditation for the Rough Onshore Facility during 2000

Implement the Integrated Management System (IMS) at all Storage Facilities, achieving accreditation to ISO 14001 and/or BS 8800.

New Action 2001

Develop certified Environmental Management Systems across BG operated locations to 72% completion

Status (end 2000)

In progress: Environmental Management Systems developed from 17% to 37% completion

In progress: Environmental risk criteria developed to be used as the basis of risk assessment in ISO 14001 Management System development

Environmental registers under development in all operations. Register complete in 50% of operations

In progress: Guidance on significance and objective setting produced. Comprehensive objectives established within operations with certified Management Systems

Achieved: The integration into EMAS of the Rough Onshore Facility with the Offshore operation was successfully achieved in October 2000

In progress: IMS is currently being developed for roll-out to all Storage facilities

By end 2001

OBJECTIVE

Raise environmental awareness throughout the business

Action 2000

Develop an HS&E competency and training strategy for BG International

Environmental awareness programmes and plans will be built into our (BG Storage) human resource training need assessments.

New Action 2001

Establish HS&E training process for all critical positions

Status (end 2000)

Achieved: Strategy developed and targets for 2001 defined

Achieved: BG Storage employees and contractors have attended awareness training on environmental issues

By end 2001

OBJECTIVE: Compliance Programmes

Maintain compliance with legislation

Action 2000

Develop a programme of work to prepare BG Storage facilities for the introduction of IPPC

New Action 2001

Complete compliance registers for BG operated locations

Status (end 2000)

Achieved: Audits of waste minimisation, air quality/fugitive emissions, and noise have been carried out at all BG Storage facilities in preparation for IPPC

By end 2001



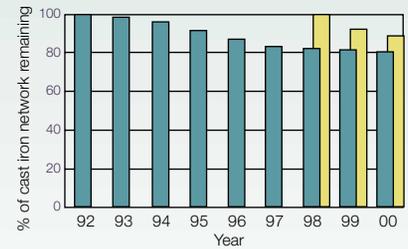
Climate Change

There is new and stronger evidence that most of the warming observed over the last 50 years is attributable to human activities.

(Intergovernmental Panel on Climate Change)



Climate Change



Pipeline replacement programmes – South America

■ MetroGAS (1992 baseline)
■ Comgas (1998 baseline)

a

Background

In 1992, 154 countries signed the Framework Convention on Climate Change. Subsequently, 160 countries agreed at Kyoto in 1997 to regulation of emissions of greenhouse gases. Despite the recent failure of the Conference of the Parties to the Protocol (COP6) to reach agreement on the qualifying methods of regulation, it is clear that the overall global trend will continue towards increased regulation of greenhouse gas emissions.

As a supplier of fossil fuel energy, climate change presents both a risk and an opportunity for BG. At a strategic level, whilst long term energy needs will be met by greater use of renewable energy sources, in the interim, it is recognised by the Intergovernmental Panel on Climate Change that gas has an important role to play in reducing emissions of greenhouse gases. Operationally, BG emits carbon dioxide (CO₂) through a variety of activities, including energy generation, its own energy use and operational flaring, and methane from equipment leakage, emissions which will increasingly be regulated.

BG approach

BG has a role to play in helping to address climate change, both in increasing the eco-efficiency of its own operation as well as assisting governments develop and bring into operation more climate-sensitive energy strategies. It aims to do this by:

- working with governments to develop energy strategies that respond to the climate change challenge;
- co-operating on the establishment of the flexible mechanisms outlined in the Kyoto protocol;
- helping to develop market solutions for reducing emissions;
- directing research and development into products and services that are more gas fuel efficient and produce lower greenhouse gas emissions;
- measuring and reporting on our carbon dioxide and methane emissions;
- helping customers to improve energy efficiency.

Methane emission reduction in South America

Upgrading of old cast iron pipework in transmission and distribution operations is an activity where safety and environmental considerations converge. Since 1992, MetroGAS in Buenos Aires has replaced 818 km of pipe, representing 19.3 per cent of the network. The actual physical reduction in methane leakage over the same period is estimated to exceed 10 per cent of the 1992 emission. Similarly, in São Paulo, Comgas has since 1998 replaced approximately 80 km of pipe, representing around 10 per cent of the cast iron network. (see figure a)

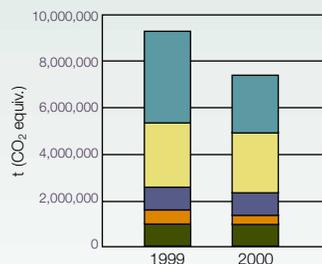
Update from 1999 report:

Premier Power

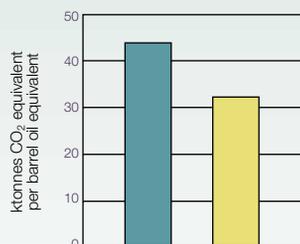
On 12 October 2000 Premier Power Limited, a wholly owned subsidiary of BG, entered into agreements with Northern Ireland Electricity to substitute 600 MW of existing gas-fired power plant with an equivalent capacity of higher fuel efficiency combined cycle gas turbine plant. The new plant will be operational late in 2002 with a 23 per cent reduction in emissions of CO₂.

Old cast iron pipework is being replaced by polyethylene, bringing environmental benefit to Buenos Aires and São Paulo





Greenhouse gas emissions



Greenhouse gas emissions per unit energy production/throughput



Performance/Developments

The Group's operations emitted 7.4 million tonnes (CO₂ equivalent) of greenhouse gases during 2000 (see figure b). This represented a 20.9 per cent decrease on the absolute level reported in 1999 despite an increase in production and throughput of 14.4 per cent. The reduction resulted from the divestment of KomiArcticOil in Russia and the Zaafarana oilfield in Egypt, reduced throughput at Ballylumford power station in Northern Ireland and reductions in methane losses outweighing emissions from new operations in Bolivia. Performance also improved on 1999 in terms of emissions per unit production/throughput, from 44 273 to 32 240 tonnes CO₂ equivalent per tonne of oil equivalent production/throughput (see figure c). Discounting the effects of acquisitions, divestments and changes due to improved assessment and measurement, an absolute reduction in GHG emissions of four per cent was achieved, and a reduction of 18 per cent on the indexed figures.

Methane leaking from old pipework in gas distribution operations continues to form the Group's most significant source of greenhouse gas emissions. The losses reported this year are reduced by 31 per cent from 1999. This figure represents a real reduction of about one per cent resulting from replacement of old cast iron pipework with new material that has fewer points of leakage. The remainder of the reduction reflects a more accurate assessment of leakage, discounting metering losses.

The figure for distribution losses quoted for 2000 still represents an upper value of potential leakage; a proportion of it reflects losses from theft and other causes. A detailed measurement programme will be initiated in 2001 to adapt a rigorous gas loss model to conditions in the South American operations.

These measurements will facilitate focussed planning of leakage mitigation measures in order to maximise the reduction achieved in future efforts.

Emissions of CO₂ continue to be dominated by that from power generation and the venting of CO₂ removed from natural gas in order to upgrade that gas to sales quality. Flared quantities reduced significantly from 1999 levels with the divestment of KomiArcticOil, Russia.

The second module of the Seabank power station in the UK entered commercial operation in January, 2001. This state of the art combined cycle gas turbine plant is operated by Siemens on behalf of BG and Scottish and Southern Energy. It operates at an efficiency of over 55 per cent compared to about 35 per cent for conventional coal or oil fired generation. This, together with the lower carbon content of the fuel, results in a carbon dioxide emission of less than half that of a conventional coal fired plant. Such developments are an important contribution towards the UK's Climate Change targets.

BG, its Brazilian subsidiary, Comgas, and some of Comgas' customers participated in a UK Challenge Fund sponsored project investigating the practicalities of application of one of the Kyoto mechanisms, the Clean Development Mechanism, in Brazil. In the UK, BG seconded an environmental adviser to work full time for the UK Emissions Trading Group, a Government/business partnership to develop innovative policy solutions to climate change.

The work required to establish a suitable corporate target for greenhouse gas emissions will be conducted in 2001.

OBJECTIVE

Contribute to improvements in climate change performance

Action 2000

Each asset to review its emissions of greenhouse gases and identify potential emission reduction opportunities

Develop and pilot a fugitive emission programme by mid-2000 and roll out to all Storage facilities

Investigate the possibilities for further reduction in fugitive losses of freon at the Rough onshore facility

Review the findings of the halon removal report for the offshore platforms and continue to implement action plans

New Action 2001

Each asset to review emissions of greenhouse gases from non-operated activities

In 2001, develop emission forecasts with a view to establishing a Group target

Evaluate entry into UK emission trading scheme

Develop guidance for overseas assets to enable evaluation of CDM potential

Status (end of 2000)

Achieved: Potential reduction opportunities identified in operated assets

Achieved: Fugitive emission reports have been produced for all Storage sites with any leak sources identified and entered into a Leak Management Programme

Achieved: Actions to further reduce fugitive emissions of freon have continued by increasing frequency of monitoring and further refining of operational procedures

Achieved: 92 kg of halon were removed from the 47/3B platform during 2000

By end 2001

By end 2001

By end 2001

By end 2001

Update from 1999 report:

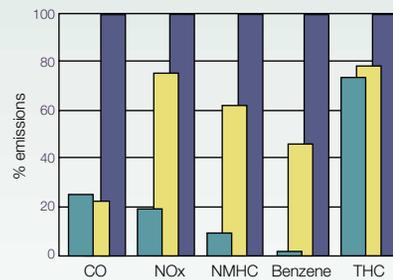
Domestic Combined Heat & Power

Further development work was conducted during 2000 on the innovative domestic combined heat and power technology (DCHP) further improving its energy efficiency. Technical trials of at least ten prototype units are planned for 2001 as part of the development towards full commercialisation.



Local Air Quality

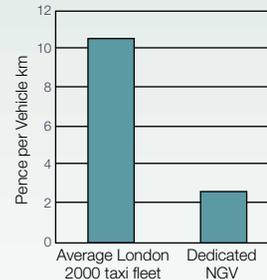
BG is actively developing technologies that enable gas to be used as a cleaner alternative to solid and liquid fuels.



Transport emissions relative to petrol

Legend:
 Natural gas (teal)
 Diesel (yellow)
 Petrol (dark blue)

a



External environmental costs

Calculated external environmental costs of the current London taxi fleet compared to an alternative dedicated fleet powered by natural gas (Based on ExternE methodology)

b

Background

Air quality issues are relevant to BG not only in terms of management of the impact of our operations but also for their potential to influence the business environment. In providing society's energy needs, the combustion of fossil fuels produces variable amounts of compounds such as particulates, oxides of nitrogen, sulphur and carbon and hydrocarbons. Rapid industrialisation, increased automobile use and urbanisation have all been factors raising concentrations of these compounds to levels where they have become an environmental health issue in many cities in both developed and developing countries.

At a strategic level, a desire for better air quality is one factor driving the demand for natural gas fuels as a cleaner alternative energy source to more traditional solid and liquid fuels (see figure a). This is reinforced by a growing awareness of the comparative environmental damage costs of different fuels (see figure b).

BG's own operations to supply energy also produce such emissions from, for example, fuel use in gas processing or power generation, flaring and waste product incineration. From a 'licence to operate' viewpoint, therefore, air emissions can have the potential to affect project viability and are an important consideration in the design and operation of the Company's installations.

BG approach

In helping local governments tackle their air quality issues, the Group:

- transfers technology and skills in development of natural gas networks;
- develops innovative technologies to overcome technical barriers to the use of gas;
- invests in the infrastructure required to enable access to gas as a cleaner fuel option;
- supports through direct involvement and investment local clean air initiatives;
- builds awareness of the environmental and social benefits that the use of gas can bring;
- seeks to develop partnerships with key stakeholders that can help to address technical and commercial barriers to the use of gas.

In order to minimise the effects of our operations, the Group:

- conducts environmental assessments at each stage of the project life cycle;
- is developing and implementing ISO 14001 management systems in operations;
- conducts process, emission and air quality monitoring to measure and ensure performance;
- is committed to comply with the appropriate international and local air quality standards;
- communicates the results to local stakeholders.

A partnership to bring environmental improvement

BG has established a partnership with Scania, one of the world's leading manufacturers of trucks, buses and coaches, and Mobil CNG to make the gas operation of trucks a commercially viable proposition. Existing, diesel fuelled Scania trucks are being recycled for a new lease of life through conversion to natural gas.

The conversion has involved development of cutting edge technology in engine control systems to maximise the efficiency and reliability of the engine as well as maintain ultra-low emission levels. The re-engineered gas-powered engines exceed the proposed European (Euro V) emission standards scheduled to come into force in 2008. BG plans to install fuelling stations on the premises of operators using these trucks to ensure a ready supply of gas at all times.

As well as providing emissions benefits, the new trucks are also significantly quieter than their diesel-run equivalents.





Local Air Quality

Performance/Developments

BG continued to expand its gas distribution networks in Cairo, Belfast, São Paulo, Buenos Aires, Mumbai and Gujarat State, in most cases enabling customers to switch from other fossil fuels. Air quality is a significant issue in many of these cities and BG's business is wholly aligned with local efforts to improve that quality.

In Mumbai, for example, Mahanager Gas, a joint venture company between BG and Gas Authority of India Limited, is starting to make a contribution to reducing air pollution through the conversion, by the end of 2000, of 20 464 vehicles from petrol to CNG and commissioning of 22 gas refuelling stations.

In Buenos Aires, BG controlled MetroGAS, is collaborating with the Environment and Regional Development Secretariat of the Government of the City of Buenos Aires in its programme to improve the city environment. As part of its support for the programme, MetroGAS donated two compressed natural gas vehicles to the Secretariat to be used in the monitoring of air quality in the city.

Update from 1999 report:

Surat, India

In 1999, Gujarat Gas Company Limited, a BG subsidiary, proved the feasibility of converting auto rickshaws to run on compressed natural gas (CNG). A conversion programme is now under way in the city of Surat. In 2000, a field trial year, 280 rickshaws were converted to CNG.



Refuelling CNG powered autorickshaws in Surat, India.

In 2000, BG established a Consumer Products Division. This unit is building on the work on natural gas vehicles (NGV) started by the Leasing Group. It is tasked to focus on the commercialisation of NGV technologies on a global basis. Notable achievements during 2000 included:

- Opening Europe's first Liquefied and Compressed Natural Gas (LCNG) facility in Edinburgh. The innovative technology, jointly developed between BG and CHIV Cryogenics from the USA, offers users the choice of either liquefied or compressed natural gas from the same refuelling point. It represents an important enhancement in service capability, with associated improvements in refuelling times.
- Starting up a business in São Paulo, Brazil, with the aim of installing seven refuelling points in the city in 2001, serving, in the first instance, local taxis.
- In partnership with Scania, developing the technology to allow re-engineering of diesel trucks to run on Liquefied Natural Gas (LNG) and CNG.

- Developed with Reading Bus, the first LNG bus to be built in the UK, now currently operating in Reading, Berkshire.

For the Group's own operations, air quality is most immediately of concern at its larger onshore sites. In 2000, the management of air quality issues was strengthened at two of its largest facilities – Easington (UK) and Hannibal (Tunisia) – and in the jointly operated Karachaganak (Kazakhstan) operation. The first two developed and accredited their environmental management systems to EMAS (Easington) and ISO14001 (Hannibal). The Karachaganak operation conducted a detailed review of its air quality monitoring.

Reductions in sulphur dioxide from gas flared at Karachaganak accounted for most of the 80 per cent reduction in the total emission of this compound (see data table on page 32). Total emissions of oxides of nitrogen rose by 11 per cent, mainly as a result of increased drilling activity during the year.



OBJECTIVE

Contribute to reduction in air pollutants

Action 2000	Status (end 2000)
Displace four million litres of diesel in the UK with its natural gas equivalent	<i>In progress: 1,600,000 litres of diesel were replaced with natural gas</i>
To double the number of NGVs used within the Company (UK)	<i>Achieved: 25 vehicles are used within the UK now in comparison to 10 during 1999</i>
To encourage two additional vehicle manufacturers into the natural gas market	<i>Achieved: Partnerships established with Scania, Volvo and TX1</i>
UK locations to quantify the environmental impact of transport (operation, employees and contractors) and set improvement targets	<i>In progress: Reviews conducted for Storage and BG head office and started at other locations Improvement targets not set. Transport strategy for head office location being established in partnership with other companies and local community. Location specific objectives to be established within their management systems</i>
New Action 2001 Incorporate air quality issues in location EMS's	<i>By end 2001</i>
Establish transport strategy for head office location	<i>By end 2001</i>
Encourage development of São Paulo NGV market by installation of seven refuelling points	<i>By end 2001</i>

Bill Adamson, Managing Director of MetroGAS (left), presents Norberto La Porta (Buenos Aires Environment and Regional Development Secretary) with CNG vehicles to be used in the monitoring of air quality in the city.



Biodiversity

Biodiversity is essential to the environmental health of the planet and is emerging as a business issue.

Red Sea coral

BG is sponsoring a four year study by the Suez Canal Laboratory, Egypt, and the Port Erin Marine Laboratory (Liverpool University, UK), to investigate the effectiveness of some simple methods for coral reef regeneration in Egypt. The project is researching various methods for regeneration of damaged and transplanted reefs. Two offshore experimental locations along the Red Sea Coast have been selected for the study. Regular visits are being conducted to monitor coral population progress and establish, by the end of the study period, the potential of the regeneration techniques.



Background

Biological resources provide essential benefits in terms of ecosystem services such as regulating the water cycle, being a source of food, medicines and materials as well as being of recreational and cultural value. The loss of biodiversity, in essence, the variety of life on earth, is recognised internationally as a serious global environmental issue. The 1992 Convention on Biological Diversity has come into force and constitutes international law. Each of the 175 signatory countries is required to develop a national biodiversity strategy and action plan.

To BG, active in some 20 countries worldwide, the issue is clearly of importance in terms of the effect that its operations may have on biological resources. This may be directly through habitat loss in greenfield development or indirectly through the effects of emissions and discharges. An additional consideration is the effect that the individual biodiversity action plans could have on potential development opportunities.

BG approach

BG's HS&E Policy is consistent with the aim of protecting biodiversity. At each stage of the project lifecycle the environmental assessment (EA) process examines the biological environment in which a new project will be developed. Through the associated consultation process, potential direct impacts on habitats and species defined as important are identified and mitigation measures established where impacts are negative. For indirect impacts, attention is paid to emission reduction in the EA process as well as in the operational Environmental Management System.

As well as collecting baseline data during environmental assessment work for specific projects, BG contributes to a variety of longer term, non-project specific work that helps us to

better understand and, through that understanding, conserve the biological resource in which we operate. For example, in 2000 the Group contributed to the following non-project specific activities:

- **JNCC Seabirds at Sea project**
Ongoing series of projects studying distribution and abundance of birds in the North Sea and Atlantic Margin Areas, BG funded since 1986.
- **AFEN studies west of Shetland**
See case study, right.
- **Seawatch Foundation**
Sponsorship of staff at the Seawatch Foundation involved with generating and maintaining a database of whale and dolphin sightings around the UK.
- **Coral Studies – Red Sea**
See case study, above.

Further developments

Defining biodiversity as an issue in its own right, however, means looking at the same subject through a new lens. BG proposes during 2001 to conduct work examining the issue of biodiversity as it relates to its global operations. The aim of this work will be to develop progressively a corporate position on biodiversity, define specifically how the subject should be addressed in investment appraisal and project planning and to guide country teams in how to identify opportunities to support to best effect the respective national biodiversity action plans of their host countries.

Atlantic Frontier Environmental Network

Since 1995, BG has collaborated with other exploration companies, governmental organisations and academics to establish survey programmes that help us to understand better the North Atlantic environment west of Shetland. Specific areas of study include:

- seabirds;
- whales and dolphins;
- seabed geomorphology and biology;
- cold water corals;
- coastal sensitivity to oil spills.

The exploration companies have spent a total of £5 million to fund these surveys that lead to much better understanding of the biodiversity of the region. This understanding allows for more accurate assessment of the potential impacts of exploration and production activities and, through appropriate mitigation measures, will help to conserve biodiversity in the area.

Further details of the AFEN work can be found in the UKOOA 2000 Environmental Report at <http://www.oilandgas.org.uk/>.

OBJECTIVE

Establish position of Group with regard to biodiversity

New Action 2001

Conduct review of Group's activities in relationship to biodiversity issues and establish position in 2001

Status (end 2000)

By end 2001



Waste Management

Reduction of waste and the use of raw materials can improve operational efficiency whilst sound waste management limits the potential for liabilities.

Background

BG's worldwide operations are diverse in nature and have varying demands for raw materials and energy as well as producing a variety of solid and liquid wastes. The issues surrounding the management and disposal of these wastes and, to a lesser extent, the use of resources, are predominantly local in nature. In countries with well developed infrastructure for example, the issue of management and disposal of wastes is a relatively straightforward one of operational efficiency. In certain remote locations or countries, however, the proposed development may exceed the capacity of the local infrastructure to accommodate certain wastes. Here, consideration must be given to waste storage and the creation of specific waste disposal facilities may form part of the development project itself.

BG approach

The Group endeavours to improve continuously its environmental performance so that emissions, waste and the use of energy are decreased. Because of the local variability in the nature of the issues, it is inappropriate to prescribe specific 'corporate' goals in this area. Corporate guidance is given to the assets on risk ranking and objective setting which allows local asset management to identify the significant risks within their environmental management system and set their own objectives related to the local driving forces.

Responsible disposal: waste management in Karachaganak

BG's joint operated venture in Kazakhstan has begun a major programme of development of the Karachaganak Field. The project will involve the completion, reconstruction and improvement of existing production facilities, as well as a large programme of new processing and support facilities, infrastructure construction and the drilling of 12-15 new wells annually.

The solid and liquid waste generated during this project will exceed the capacity of local infrastructure. This waste will include materials from the drilling rig and workover programme, and construction activities in the field, the wastes associated with production operations at the various facilities, and camp wastes.

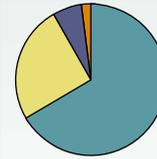
In order to satisfy the needs of the development, a comprehensive, integrated waste management programme has been developed. This programme includes management of all wastes generated by the venture through a Waste Management Plan and a Waste Management Complex to accept, treat, and dispose of these wastes.

A significant project in its own right, the Waste Management Complex includes the following facilities: Mud Plant, Brine Plant, Rotary Kiln Incinerator, General Purpose Incinerator, Solid Waste Disposal Cells, Drum Washing and Crushing Plant, Water Treatment and Injection Plant, Temporary Storage Containment and an Office Building.





Waste Management



Waste for disposal – type

Cuttings	68%
General	24%
Special	6%
Metals	2%
TOTAL	51 689 tonnes

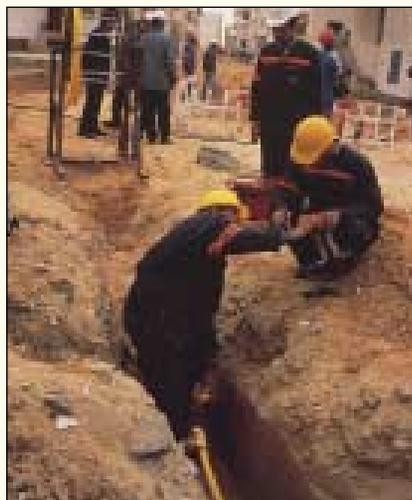
a

Waste reduction: narrow trenching in Egypt

BG is the lead participant and holds a 37.5 per cent share in Nile Valley Gas Company, Egypt, which is developing the consumer gas market in Upper Egypt through the construction and operation of transmission and distribution infrastructure. BG introduced narrow trenching methods as an alternative to the traditional wider trenches favoured for ease of access. The narrow trenching delivered significant benefits during the first phase of construction of the distribution network including:

- an estimated reduction of 15 000 cubic meters of excavated material;
- conservation of resources through a significant reduction in trench fill material and road surfacing material required;
- an estimated reduction of over 750 truck journeys;
- reduced disruption to local communities through reduced construction traffic and faster construction times.

The improved method was recognised by the authorities as being beneficial for reducing environmental impacts and community disturbance. It is an example of successful technology transfer, now being accepted as the standard for the Beni Suef district.



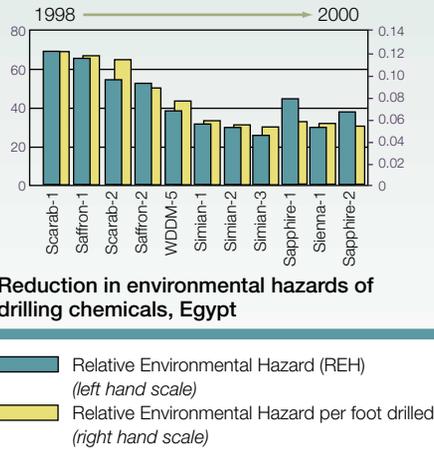
In prioritising actions to reduce wastes, the Group applies the waste hierarchy as its central philosophy to waste management:

- reduce – where practicable, eliminate the waste at source;
- reuse – actively seek uses for waste as produced;
- recycle – seek uses for the waste after treatment;
- responsible disposal – where none of the above options is available, ensure disposal of the residue in a manner that minimises the risk of damage to the environment.

Performance/Developments

In 2000, the Group's operations produced some 54 571 tonnes of waste, of which 2 882 tonnes was immediately recycled. The bulk of the waste comprised cuttings from rock from wells drilled (68 per cent) and general, non-hazardous waste (24 per cent) (see figure a).

Some of the greatest gains in waste reduction are obtained as a spin off of significant advances in the way the core business is run. Such advances are being made through the project lifecycle with corresponding increases in the overall eco-efficiency of the business. As an example, one of the main sources of high volume waste is drilling activity. Because of the



b

uncertainties inherent in exploration, not all wells drilled find oil or gas. However, recent improvements in seismic processing and interpretation have allowed much greater confidence in defining oil and gas prospects.

As a result, fewer wells need to be drilled to achieve the same objective of discovering reserves. This results in an incremental decrease in the overall wastes that are associated with such exploration activities. 2000 was an exceptional year in this regard, with all of the 13 exploration and appraisal wells in which BG had an interest discovering oil or gas.

In the North Sea, the fate of drill cutting piles on abandonment of platforms is the subject of discussion with a wide range of stakeholders. BG is contributing to a industry-sponsored project investigating the complex issues surrounding the subject and the practicality and environmental impact of the alternative options ranging from *in situ* degradation to removal and onshore disposal. (See <http://ukooa.bigoxford.com/> for further detail). With regard to past practices, the provision for statutory decontamination of old gas manufacturing sites was transferred to the Lattice Group on demerger.

Waste reduction: reduction in drilling waste from Egyptian well campaign

During the campaign to explore and appraise the West Delta Deep marine concession, offshore Egypt, 11 wells have been drilled. A focussed initiative has been conducted to reduce the overall hazard to the environment of the drilling chemicals used in the drilling muds. An indicator, called the 'Relative Environmental Hazard' (REH), is calculated based on the quantity of chemical used and its hazard rating as used in the UK Offshore Chemical Notification Scheme. By improvements in drilling performance, reduction of chemicals used, and substitution where appropriate for less hazardous chemicals, a progressive reduction in both absolute REH and REH per foot of well drilled has been achieved during the well campaign. The deeper, Sapphire wells, required larger diameter well sections and more complex mud systems which resulted in a slight reversal of the trend at the end of the well sequence. (See figure b – REH reduction.)

OBJECTIVE

Improve waste management practices

Action 2000

Introduce a programme of waste management and minimisation across all Storage facilities and quantify improvements

An energy programme will be implemented at Hornsea and subsequently at all other sites

New Action 2001

Incorporate waste management into location EMS's.

Extend use of REH indicator to worldwide well campaigns

Status

Achieved: Waste management programme incorporated into the EMS for the Storage sites. Independent audits were carried out for all Storage sites. These concluded that options for recovery, recycle and reuse of waste had previously successfully been identified and implemented. Waste minimisation is being ensured through control measures identified within the EMS and through monitoring of waste production and fate.

Complete: Energy usage figures collated. Their analysis indicates that energy usage is driven by customer demand, allowing negligible operational control. The existing controls in the EMS remain valid therefore.

By end 2001

By end 2001



Health and Safety

Protection of the health and safety of its staff and others affected by its operations is of fundamental concern to BG.

Background

BG recognises that the protection of the health and safety of its employees and others involved or affected by its operations is not only a fundamental duty but is also a key component in delivery of its business objectives. The well being of our employees and others involved or affected by our operations is a prime responsibility of management at all levels within the Group.

BG Approach

BG Group's strategy for successful health and safety management places the emphasis on a risk based process, based on setting objectives and actions to achieve those objectives. The process is also proactive, seeking to take action before, rather than after, the event. This process is supported by a control environment that combines proactive forward-looking measures, such as the 14 Point Profile, with those of measured outcomes of performance, such as injury rates. Health and safety is managed within each individual asset under the framework of the BG HS&E Management System.

Effective risk management underpins the performance management approach adopted by BG for all business matters including health and safety management. The BG risk management philosophy is based on the combination of inherently better system design and effective use of operational controls. One of the outputs from the performance management system is the identification of specific risk areas across the Group. Initiatives are then developed in order to reduce the risks. Road traffic accidents were identified as a potential high-risk area and a specific

initiative was developed across the Group building on the experience and lessons from the campaign conducted by MetroGAS.

BG recognises that the production, transportation and utilisation of large volumes of natural gas and other materials have major hazard potential which, if realised, could cause a major incident. Our philosophy is that, through a formal and structured risk management process throughout the lifecycle of an operation where hazards with the potential to cause a major incident are present, these hazards and associated risks can be identified, assessed and managed. Safety Cases, the documented output of the process, record the actions needed to manage the identified risks. This approach is a legal requirement in the UK. BG applies the practice abroad and Safety Cases are in place for all exploration and production facilities operated by BG where there is major hazard potential.

During 2000, Safety Cases were completed for the Rosetta onshore and offshore facilities, a major new development in Egypt. The approach is being extended and progressed across all business sectors, recent acquisitions and new developments to further reduce the potential major hazard health and safety risks. BG continues to support significant research efforts to gain a better understanding of the major hazard potential associated with gas and other materials used in its operations and thus facilitate development of improved risk reduction and management measures.

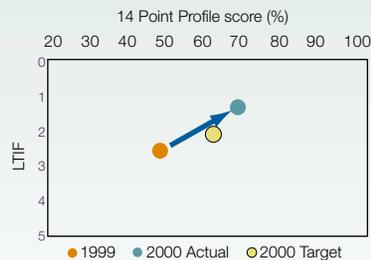
Transfer of best practice produces two million work hours without lost time injury

The Nile Valley Gas Company (NVGC) is required to restrict the number of expatriate employees and ensure a rapid transfer of technology to ensure the company is soon staffed entirely by Egyptians. These requirements presented a significant challenge in terms of training both company and contractor personnel, particularly as safety management in the construction industry was not well developed and experience with natural gas was generally low. A detailed training programme including use of custom built streetworks training facilities, together with an emphasis on developing a safety culture was used from an early stage of the project to ensure that safety became a 'way of life'. In a project in which 200km of medium and low pressure pipeline were laid and 20,000 domestic customers were connected, this attention to detail resulted in two million work hours being completed without a single lost time injury. With 90 per cent of the work hours being completed by a local contracting company, these results were outstanding.





Health and Safety



BG Group H&S performance 2000

A target for H&S performance for 2000 was developed, combining the proactive, 14 point profile score, with the measured outcome, LTIF. Performance against this target is shown above.

Hazard awareness – community

Hazard awareness is fundamental to successful health and safety management. In many areas in which BG operates, the construction and operation of natural gas distribution networks is new to the community. Phoenix Natural Gas, Northern Ireland, has developed and implemented a public awareness campaign with specific elements focussed on children to make them aware of the safety hazards associated with such activities.



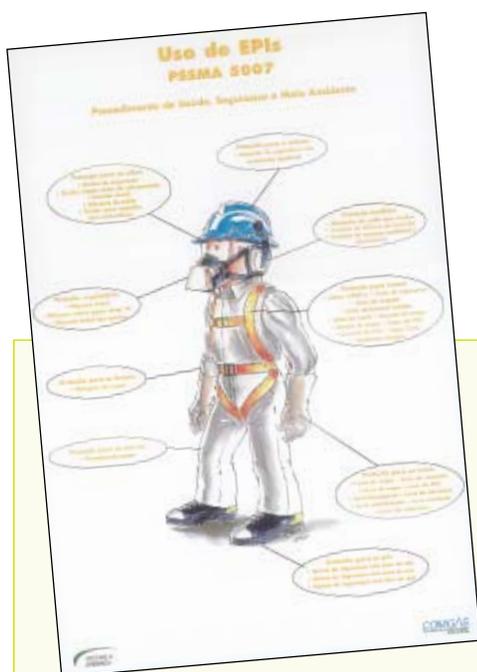
Continuous performance improvement is a central theme within BG's global strategy. BG strives for superior health and safety performance through the application of Performance Improvement Plans, designed to manage and reduce risks. The 14 Point Profile system, described earlier in the HS&E Management section of this report, provides the core of the performance improvement planning process. Review by the assets against the 14 points allows them the flexibility to improve their own efforts based on the state of their own management systems as well as the risks within their specific operations.

Once the 'Asset Profile' has been completed, targets are set in conjunction with the Asset Management Team. This team then develops a Performance Improvement Plan which will allow the asset to achieve the targets and against which progress will be measured. Progress is monitored and assessed routinely at performance reviews. The use of this leading indicator highlights where best practice is applied within BG and thereby facilitates knowledge transfer between different parts of the organisation. BG also looks to benchmark its performance against, and learn from, the best practice outside the company in its chosen business sectors.

Performance

Group-wide commitments to structured management processes and Performance Improvement Plans to deliver best practice has resulted in continued improvement in 2000. The Lost Time Injury Frequency (LTIF), expressed as the number of lost time injuries per million hours worked, has fallen consistently over the past five years to 1.2 for the year 2000, a further 50 per cent improvement over 1999 (see figure a and b). Regretably, despite this continued improvement, two employees died during 2000 whilst working in an underground valve chamber in Brazil. The lessons learned from a full investigation of the accident have been translated into focussed improvement campaigns within the operation in Brazil as well as being shared within BG as a whole.

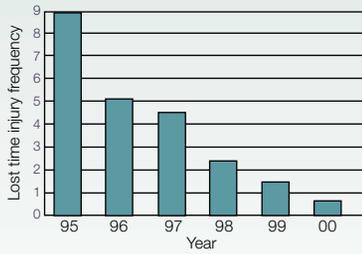
LTIF improvement was seen across all business sectors with Exploration and Production showing a significant improvement over the past five years. Similar improvements were seen in other sectors, Transmission and Distribution recording an improvement in LTIF of 75 per cent from 6.5 to 1.6, placing it in the top decile for its industrial sector.



Hazard awareness – staff

One of the most important aspects of health and safety management is ensuring the workforce are aware of the hazards of their work and how to prevent those hazards becoming accidents. Comgas is tackling this awareness need using 'procedures in pictures' which combines a strong visual image of what should be in place with the written procedure.

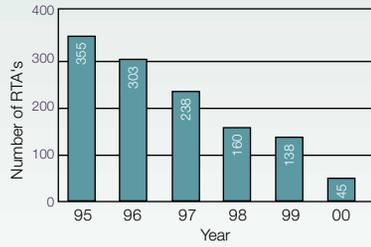




BG Group E&P safety performance 1995-2000

Lost Time Injury Frequency – expressed as the number of lost time injuries per million hours worked.

b



MetroGAS: RTA reduction 1995-2000

c

Within BG there were some notable performances within individual assets. The Karachaganak operation recorded an improved LTIF in 2000 of 0.6 over its 1999 performance of 0.7 despite starting a major construction programme involving an 80 per cent increase in the hours worked. In 1999, BG acquired a majority interest in Comgas, Brazil's biggest gas distribution company. Significant focus was placed on improving health and safety performance of the operation. Notwithstanding the fatal accident mentioned above, significant performance improvement has occurred with a reduction in LTIF from 12.4 in 1999 to 3.3 in 2000.

Occupational health risk assessments were successfully piloted in Trinidad and Tobago and Premier Power, Northern Ireland. Occupational health management has been identified as an area for performance improvement in 2001 including implementation of health performance monitoring and reporting. The performance measure adopted within the company is Occupational Illness Frequency (OIF), expressed as the number of occupational illnesses diagnosed per million hours worked.

MetroGAS road traffic accident reduction campaign

MetroGAS, in Argentina, has progressively reduced road traffic accidents (RTAs) over a period of five years, demonstrating the effectiveness of focussed management of a key risk area. Statistically, Argentina has one of the highest RTA rates in the world and, as MetroGAS' activities rely strongly on transport throughout some of the most densely populated and busiest districts of the country, an RTA Reduction Campaign was developed and implemented in 1995 to minimise associated risks and to reduce the costs related to incidents.

This campaign involved the launch of a four-stage Defensive Driving programme along with a number of complementary initiatives. A computerised driving simulator is used to assess gaps in employees' driving skills and knowledge followed by a theoretical and practical defensive driving course. Refresher training is provided at regular intervals and a Transport Safety Committee meets regularly to monitor and drive the programme further.

The campaign has effectively reduced the number of RTAs in MetroGAS by 88.6 per cent since 1995. (see figure C, above)

OBJECTIVE

Strengthen health management processes

New Action 2001	Status (end 2000)
Implement the health performance monitoring/reporting system	By end 2001
Implement health risk assessment process	By end 2001

OBJECTIVE

Maintain improvement in safety performance

New Action 2001	Status (end 2000)
Fully implement formal risk management within development projects worldwide that have a major hazard potential	By end 2001

Verification Statement



To the Directors of BG Group plc

The BG Group plc (“BG” or “the Group”) Environment, Health and Safety Report 2000 (“the Report”) covers BG’s global operations. The Report is the responsibility of, and has been approved by, the Directors. The information contained in the Report has been subject to a limited review carried out by PricewaterhouseCoopers. The objectives of the review were to:

- a) Assess the completeness of the Health, Safety and Environment (“HS&E”) information to be collected for the Report ;
- b) Assess the reliability of the information gathering and reporting frameworks used at Group level and at two assets (Armada in the UK and MetroGAS in Argentina) to collect HS&E data for inclusion the Report;
- c) Examine the Report to assess the consistency of the information presented, against the findings of our work.

Basis of opinion

In respect of (a), our work consisted of meetings with Group management responsible for HS&E matters, examination of documentation held at Group level on current HS&E policies, practices and performance and a limited review of external HS&E issues affecting the operations of the Group.

In respect of (b), our work consisted of a high level review of the Group programme for data collection, analysis and reporting, meetings with management responsible for HS&E matters at Group level and at Armada and MetroGAS, and a review of the systems and processes used by the Group and the two assets to generate, derive, aggregate and report information on the following HS&E performance parameters: carbon dioxide and methane emissions, lost time incidents, waste and the HS&E performance profiling tool.

In respect of (c), our work consisted of a review of the Report to confirm that the content was consistent with the information provided to us during our review.

Opinion

On the basis of the scope of work completed and information provided to us by BG Group plc during our review:

- The Report addresses the material Health, Safety and Environmental issues associated with BG’s operations;
- BG has defined a systematic framework for gathering and reporting HS&E information provided by Group assets;
- the information presented in the Report is consistent with the findings of our work.

Comments

During the verification process we have made a number of observations, which have been reported to BG management, on the processes used to compile the report and, recognising the recent changes in Group structure, on the wider status of HS&E management and reporting within the Group. BG management has responded to these comments and, where appropriate, reflected their response in the content of the Report. Our main observations are that:

- BG has made continued good progress in strengthening environmental management systems at asset level and improved its safety performance during 2000. However, BG management recognises that further work is required to strengthen the systems and processes used to gather, analyse and interpret HS&E information for the report.
- BG has taken steps to develop its Group level approach to the issue of climate change. BG Management recognises the strategic nature of the climate change challenge and opportunity for BG’s business and the need to develop a coherent Group wide climate change strategy.
- BG has stated its commitment to addressing the issue of sustainable development in future reports. Group management recognises that to support this commitment, work is required to develop a framework for managing, monitoring and reporting on a wide range of performance issues including social, economic and environmental issues.

PricewaterhouseCoopers

London, April 2001

Glossary

AFEN	Atlantic Frontier Environmental Network
AGM	Asset General Manager
BiE	Business in the Environment
Biodiversity	The variety of organisms found within a specified geographic region
CCGT	Combined cycle gas turbine
CDM	Clean Development Mechanism
CFC	Chlorofluorocarbons
Climate Change	A significant change from one climatic condition to another
CO	Carbon monoxide
CO₂	Carbon dioxide
CNG	Compressed natural gas
DCHP	Domestic Combined Heat and Power
Distribution losses	Continuous low rate of emissions from pipelines
DJSGI	Dow Jones Sustainability Group Index
EIA	Environmental Impact Assessment
EMAS	Eco-Management and Audit Scheme
EMS	Environmental Management System
E&P	Exploration and Production
ExCom	Executive Committee
Flaring	Disposing of waste gas by burning
FTSE	Financial Times Stock Exchange
Fugitive Emissions	Continuous low rate losses from system elements
General Waste	Solid and liquid non-toxic/non-hazardous waste
GHG	Greenhouse gas
Greenhouse Effect	Warming of the lower level of the atmosphere caused by heat radiation from the earth being absorbed by greenhouse gases.
HFC	Hydrofluorocarbon
HCFC	Hydrochlorofluorocarbon
HS&E	Health, Safety & Environment
IMS	Integrated (Health Safety and Environmental) Management System
IPPC	Integrated Pollution Prevention and Control (Regulations)
JNCC	Joint Nature Conservation Committee
Kyoto Protocol	An International agreement by nations attending the Third Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (1997) to reduce worldwide emissions of greenhouse gases.
LCNG	Liquefied and Compressed Natural Gas
LNG	Liquefied Natural Gas
LTIF	Lost Time Incident Frequency
mmboe	million barrels of oil equivalent
MWh	Megawatt hours
NGV	Natural Gas Vehicle
NMHC	Non-methane hydrocarbons
NO₂	Nitrogen dioxide
NOx	Oxides of nitrogen
OIF	Occupational Illness Frequency
Produced water	Water produced from the reservoir along with gas and/or oil
REH	Relative Environmental Hazard
RTA	Road Traffic Accident
SO₂	Sulphur dioxide
SOx	Oxides of sulphur
Special Waste	Solid and liquid toxic/hazardous waste
Stakeholder	Anyone with a share or interest in the business
Sustainable development	Development which meets the needs of the present without compromising the ability of further generations to meet their needs.
t	Tonnes
THC	Total Hydrocarbons
UKOOA	United Kingdom Offshore Operators Association

Data

Environmental data

EMISSIONS (tonnes)

	Venting	Fugitive	Flaring	Fuel use	Electricity generation	Distribution losses	Total 2000	Total 1999	t/MBOE 2000	t/MBOE 1999
Carbon dioxide	523 140	338	332 033	992 142	2 524 861	3 547	4 376 062	5 232 772	19 071	24 762
Carbon monoxide	0	0	1 136	1 521	563	0	3 220	3 971	14	19
Nitrogen oxides	0	0	201	5 069	4 609	0	9 879	8 851	43	42
Sulphur dioxide	0	0	797	2	1 117	0	1 916	10 745	8	51
Methane	11 282	1 883	5 313	460	384	124 578	143 901	196 325	627	929
Volatile organic compounds	618	319	672	170	12	13 253	15 044	12 480	66	59
Greenhouse Gases (CO₂ equiv.)	760 066	39 888	443 616	1 001 805	2 532 925	2 619 687	7 397 987	9 355 603	32 240	44 273

DISCHARGES TO AQUEOUS ENVIRONMENTS (tonnes)

				Oil	Process water	Drill cuttings	Total 2000	Total 1999		
				32	383,152	10 443	393 627	1 304 742		

WASTE FOR DISPOSAL (tonnes)

		Metal	General	Special	Recycled	Drill cuttings	Total 2000	Total 1999		
		1 033	12 221	2 959	2 882	35 477	54 571	42 021		

ENERGY USE (MWhrs)

				Gas	Electricity	Oil	Total 2000	Total 1999		
				4 315 678	79 845	553 873	4 949 396	7 403 513		

Safety data

		1995	1996	1997	1998	1999	2000	2000 target
LTIF	E&P	9	5.1	4.6	2.4	1.6	0.7	Not applicable
LTIF	Group					2.5	1.2	2.0
14 Point Profile	Group					48%	68%	61%

The basis of the data presented in this report is:

Environmental

These represent 100% of the direct emissions, discharges and wastes from the following activities:

- E&P operations where BG is designated as the 'operator'
- T&D, Power, Storage and LNG operations in which BG holds a total interest of over 50 per cent. This includes MetroGas S.A. which is controlled by BG (although BG's direct shareholding is less than 50 per cent).
- Joint Operated Ventures

Safety

The safety statistics represent 100% of the data from the aforementioned operations plus the operations at Seabank, UK, and Nile Valley Gas Company, Egypt, in which BG holds an interest of less than 50 per cent but BG staff hold senior management positions.

Except where specifically indicated, this report covers only the activities in 2000 of the operations continuing within the new BG Group. The continuing operations are the former BG International plus BG Storage.



Further information and additional copies of this report are available from:

Loss Prevention

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100 Thames Valley Park Drive

Reading

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Telephone: **0118 929 2268**

An electronic version of this report, and a feedback form, can be found on the Company's web site:

www.BG-Group.com



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