

April 23, 2009

Mr. Sergey Solyanik
Ecological Society "Green Salvation"
Ul. Shagabutdinova 58, kv. 28
Almaty 050000
Republic of Kazakhstan

Dear Mr. Solyanik:

Re: Proposed Moinak Electricity Transmission Project

Thank you for your letter No 034 of March 17, 2009 regarding environmental aspects of the above-referenced project under preparation.

I would like to respond to the points raised in your letter as best as possible, given the current state of project design.

Legal Issues

We note your concern that the construction of overhead transmission lines (OHTL), proposed to partially transit the Charyn and Amtyl-Emel specially protected natural areas (SPNA) under the proposed Moinak Electricity Transmission Project, could be in violation of Kazakhstan's legislation. The World Bank (the Bank) takes such concerns seriously. KEGOC (prospective borrower) denies any violation of applicable laws. Therefore, the Bank will seek a legal opinion from the competent authority of the Republic of Kazakhstan concerning the legality of these actions under Kazakh law and regulations. In due course, you should receive further information directly from these authorities with respect to your concerns.

OHTL Crossing of Charyn Canyon

We fully agree that the transmission lines must not traverse any ecologically sensitive areas and this should be ensured under the Environmental Impact Assessment (EIA) to be developed on the basis of the detailed working designs and the recommended final routing of the transmission lines. At this point, the precise routing of the transmission lines is not known. This EIA will be subject to review and approval of the competent Government authorities and the Bank. In the event that a crossing of Charyn Canyon or passage through any areas of critical natural reserves is proposed, assurances will be required that it meets the relevant legal requirements of Kazakhstan and is in full compliance with Bank policy on Natural Habitats.

Forestry and Hunting Committee Approval

The detailed working design for the final OHTL routes and substation sites under the Moinak Transmission Project is not yet complete. KEGOC informed us that approval of the final transmission line routing will be sought from the Forestry and Hunting Committee of the Ministry of Agriculture as required under the applicable environmental assessment procedures of Kazakhstan. Bank review and approval of the working design-level EIA noted above will include verification that this approval was secured.

World Bank Policy on Natural Habitats

The Bank's due diligence review and approval of the working-design EIA will examine aspects of critical habitats and reach an independent conclusion regarding the applicability of OP/BP 4.04. Also, this review will look at alternative routings to determine if they were considered and, if so, the basis upon which they were eliminated. In your letter, you indicated that several species listed in the Kazakhstan Red Book have habitats/migration routes in these SPNAs. This particular aspect will receive proper attention when the Bank receives and reviews the working-design EIA.

Effect of Electromagnetic Field on Human Health

We agree that the issue of electric and magnetic field intensities is very important both for reasons of public health and public safety. Please note that the Environmental Management Plan (EMP) for the proposed project contains specific mitigating measures for the Shelek and Saryozek substations and transmission lines to address these issues. The engineering design will ensure that the anticipated field intensities meet Kazakhstan standards. The Kazakhstan standard for electric field is 5 kV/m (with no limit for time of exposure). This is consistent with the exposure limits recommended by the International Commission on Non-Ionizing Radiation Protection which specifies electric field strengths no greater than 5 kV/m for OHTL to a height of 2.5 meters above ground and magnetic fields of less than 100 micro tesla. In addition, once the system is energized, the EMP provides for monitoring of these exposures to verify that actual field intensities are within these standards.

Environmental Assessment Classification

The Bank's environmental classification is a decision reached by agreement between the Regional Safeguard Coordinator and the Bank's Task Team. This project received a Category B rating based upon information provided by the project sponsor, including the resolutions by the competent Government environmental agencies reached at various stages of project design. The Ministry of Environment concluded that the proposed transmission project will have no significant impact ("neznachitelnoye vliyaniye") on the environment. The Bank reviewed project-related environmental material provided to date and concluded that potential project-related construction impacts are temporary, or of limited extent, and are either reversible or result in minimal impact. Likewise, impacts during operation are minimal, consistent with international standards, and not anticipated

to result in any impacts to the human and natural environment. However, we are awaiting the environmental assessment for the detailed working design (including precise line routing) for the transmission lines. If this evaluation indicates due cause, a review of the environmental category may be considered by the Bank.

Public Consultations

On November 14, 2008, in accordance with Kazakhstani environmental law (Environmental Code, Rules for Conducting Public Hearings), KEGOC conducted public consultations in Almaty with the participation of public interest groups, including ecological associations. The public hearings were announced in the widely read national newspaper "Kazakhstanskaya Pravda" (October 23, 2008) which included the date and venue of the hearings. KEGOC made special transportation arrangements for concerned local groups and NGOs to attend. Documentation of the planned OHTL construction was published in several newspaper articles ("Kazakhstanskaya Pravda", December 22, 2007, "Egemen Kazakhstan", February 13, 2008, and "Kazakhstanskaya Pravda", February 13, 2008). Our understanding is that your organization did not participate in this public consultation.

UNESCO World Heritage List

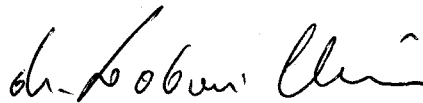
In a letter date April 13, 2009, the Ministry of Environment informed the Bank that presently the Altyn-Emel SPNA is not listed on the Republic of Kazakhstan submission for registration on the UNESCO World Heritage List. We will ensure that this issue is reviewed as part of the final EIA process.

Moinak HPP and World Bank

The Bank has received no formal request from the Republic of Kazakhstan for financing the Moinak Hydropower Plant. Therefore, no such request has been denied by the Bank.

I hope you find the above information useful. We remain available to continue to engage with you in the context of the proposed project.

Sincerely,



Istvan Dobozi
Lead Energy Economist

cc.: Mr. Kanat Bozumbayev, President of KEGOC