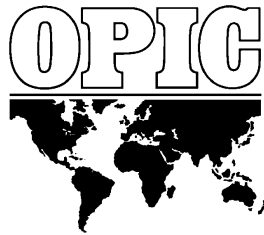


ANNUAL ENVIRONMENTAL REPORT
of the
OVERSEAS PRIVATE INVESTMENT CORPORATION

FISCAL YEAR 2006



March 2007

Introduction

This is the ninth Annual Environmental Report (AER) issued by the Overseas Private Investment Corporation (OPIC). OPIC is an agency of the U.S. Government with a mandate to facilitate and encourage U.S. private investment in developing countries and emerging markets, and to do so on a financially self-sustaining basis. Since 1985, OPIC has had a strong environmental mandate, incorporated into its authorizing statute and articulated most fully in Appendix A of OPIC's Environmental Handbook, which was issued in April 1999 and updated in February 2004.

Further updates to the Environmental Handbook are underway, in part to reflect OPIC's commitment to improving information sharing and the transparency of OPIC's own operations. OPIC's Anti-corruption and Transparency Initiative, announced in September 2006, provides new steps to identify and make public potentially adverse environmental impacts at a stage earlier in the review process. Additionally, OPIC now requires enhanced consultation with locally affected communities for projects with the potential for significant adverse environmental impact (Category A projects).

OPIC has redesigned its website to increase and better organize the information available to the public. New information available to the public includes non-business confidential summaries of projects receiving OPIC support and environmental implementation documents including management and remediation plans.

OPIC in FY 2006: Environmental Implications

In Fiscal Year 2006, OPIC provided financial services or insurance to a U.S. investor, lender or contractor assisting 70 new projects located in 38 countries or regions around the world. The geographic and industrial sector breakdown of these projects is presented in Figures 1 and 2.

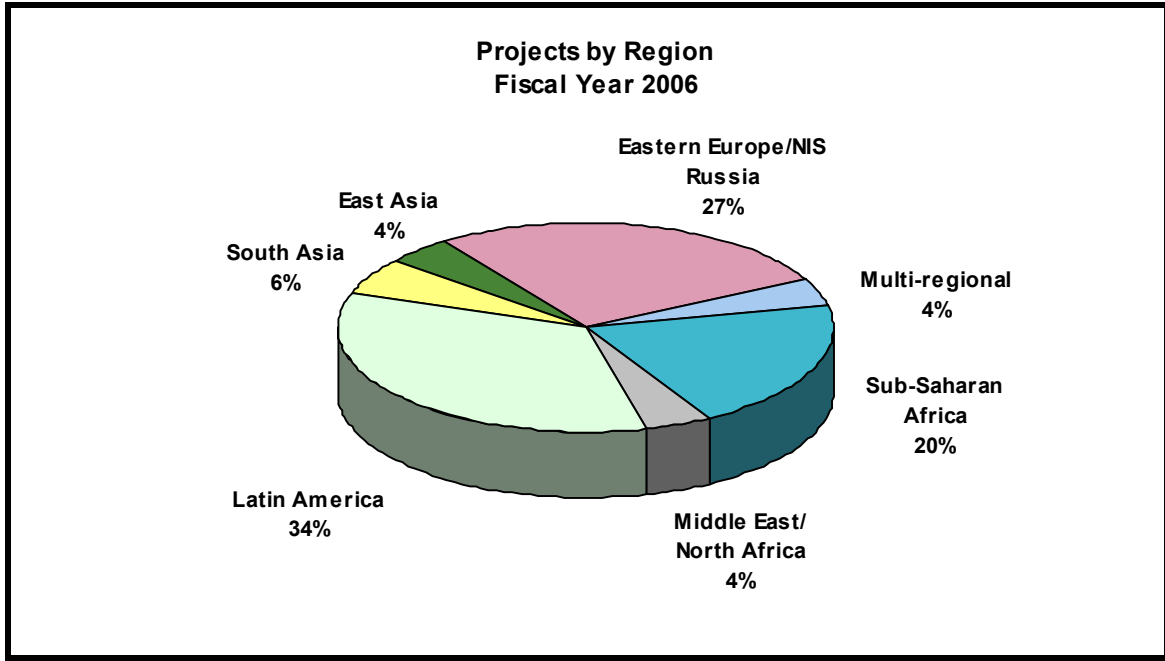


Figure 1

As shown in Figure 1, there were 24 new projects in Latin America, representing 34 percent of FY 2006 projects. In Eastern Europe, the New Independent States, and Russia, OPIC transactions continue to support private U.S. investment in the development of competitive markets and entrepreneurial enterprises with 19 new projects representing 27 percent of FY 2006 projects. In Sub-Saharan Africa, OPIC continued actively to support developmental projects, particularly those that will improve significantly the region's basic financial infrastructure and housing sectors. There were 14 new projects in the region in FY 2006, representing 20 percent of the year's total projects. In South Asia, there were 4 new projects, representing 6 percent of the year's projects, and in East Asia there were 3 new projects, representing 4 percent of the year's projects. In FY 2006 OPIC assisted 3 new projects in the Middle East and North Africa region, representing 5 percent of the year's total projects. Three other projects supported multiple regions.

Figure 2 illustrates OPIC supported or assisted investments broken down by sector. Projects in the banking/finance sector accounted for 27 percent of all new OPIC-supported projects in 2006, followed by other services (23 percent), infrastructure (10 percent), housing construction (9 percent), minerals/energy (9 percent), manufacturing (7 percent), agribusiness (7 percent), communications (6 percent), and tourism (3 percent). The entire services sector, composed of infrastructure, communications, banking/finance, tourism, housing construction, and other services, accounted for 77 percent of all new OPIC-supported projects in 2006. In FY 2006, 87 percent or 61 projects involved U.S. small businesses.

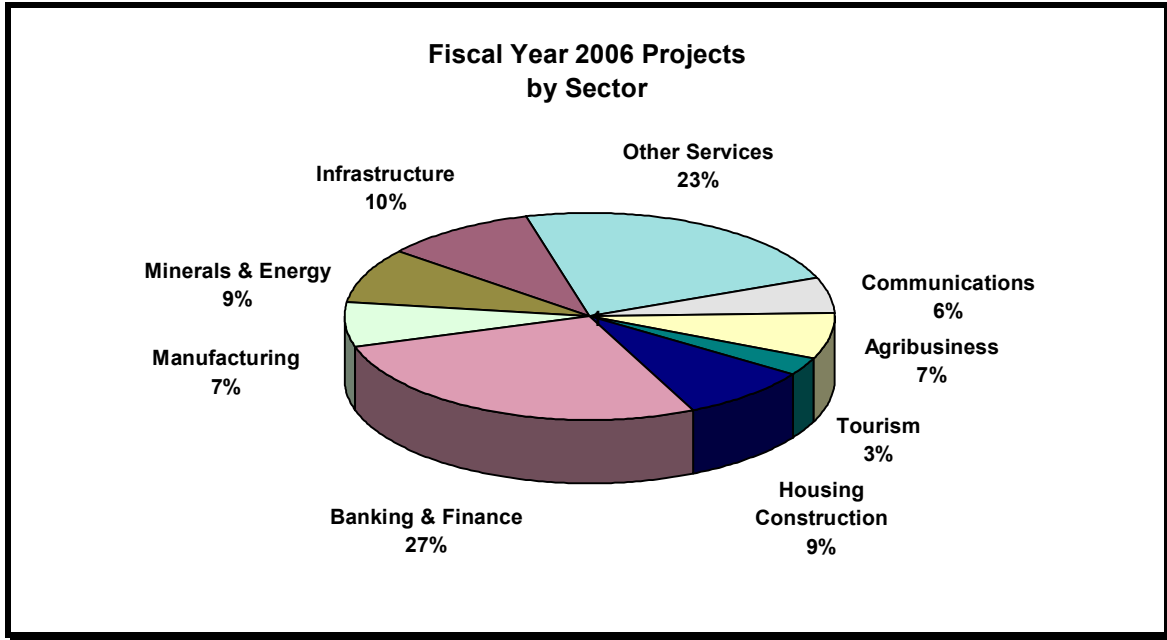


Figure 2

Environmental Screening

All applications for OPIC financial services or insurance are screened to determine whether the provision of such services or insurance by OPIC would violate any categorical prohibitions as required by OPIC statute or policy. If a project is determined to be categorically ineligible, OPIC informs the applicant immediately so as to avoid any unnecessary effort or expense. If the project is categorically eligible, OPIC continues to screen the application to determine the level of environmental sensitivity associated with the industry sector or site involved and to request the appropriate type of information from the applicant.

Transactions Rejected on Environmental Grounds

OPIC rejected applications for financial services or insurance in connection with three projects in FY 2006 on the basis of categorical ineligibility or inability to meet internationally accepted standards for environmental performance.

In the interest of enhanced transparency, OPIC is disclosing information on the applications for financial services or insurance that it rejected in FY 2006 on environmental grounds. For reasons of business confidentiality, OPIC does not disclose the name of sponsors, foreign enterprises or projects at issue. The applications for financial services or insurance rejected in FY 2006 related to the following overseas projects:

- A wood products project in Bolivia that involved the sourcing of timber from a critical forest area.
- A gas pipeline in Papua New Guinea that included construction in a critical forest area.
- A wood products project in Brazil that involved the sourcing of timber from a critical forest area.

Environmental Screening Results

As noted previously, in FY 2006 there were 70 projects in 38 countries or regions where OPIC provided financial services or insurance to a U.S. investor, lender or contractor. With respect to environmental impacts, as shown in Figure 3, one of these projects (1%) was screened into Category A; that is, a project having potentially significant, adverse and irreversible impacts, and therefore, requiring a full Environmental Impact Assessment (EIA). Forty-one projects (59%) were screened into Category B. Category B projects are defined as those with somewhat less significant adverse environmental impacts than Category A projects. The impacts are site-specific; few, if any, are potentially irreversible, and mitigative measures can be designed readily.

Twenty-two FY 2006 projects (31%) were screened as Category C projects. Category C projects are those having no material adverse environmental impacts. Six projects (9%) were screened as Category D projects. Category D projects involve the provision of financial services or insurance by OPIC, usually through a loan guaranty mechanism, of an intermediary financing institution such as a private equity fund or on-lending facility. In the assessment of Category D projects, all of the individual subprojects into which such intermediaries invest or lend are subject to the full suite of OPIC environmental procedures while the intermediary facilities themselves are regarded as environmentally neutral.

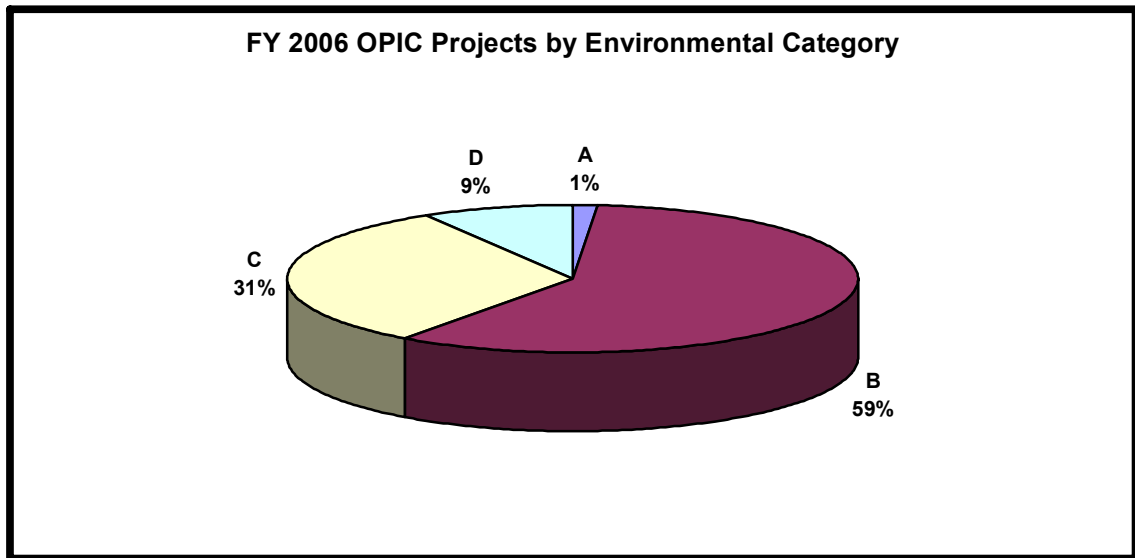


Figure 3

A more complete picture of OPIC’s environmental activities can be illustrated by the 200 prospective insurance, finance, framework and investment fund projects and subprojects reviewed during FY 2006. Many of these projects continue to be reviewed on credit, underwriting, or other policy grounds at the end of the fiscal year; therefore OPIC did not make commitments to provide financial services or insurance to a U.S. investor, lender or contractor in all of the projects and subprojects reviewed.

As illustrated in Figure 4, of the 200 projects reviewed by OPIC during FY 2006, three projects (2%) were screened by OPIC as Category A activities. These projects included a copper mine, a large petroleum storage facility and an onshore oil and gas development. The 112 projects (55%) screened as Category B involved food processing facilities, housing and school construction, establishment of retail stores, small manufacturing operations, small agribusinesses, humanitarian relief services, bottling plants and development and operation of ecotourism initiatives, among others. The 68 Category C projects (34%) reviewed in FY 2006 included on-lending to microfinance institutions, telecommunications, cable television, mortgage financing, leasing operations and banking activities.

In addition to the above projects, OPIC reviewed 17 projects (9%) involving the creation of new OPIC Framework Facilities or Investment Funds. In accordance with the OPIC Environmental Handbook, these projects were screened as Category D projects.

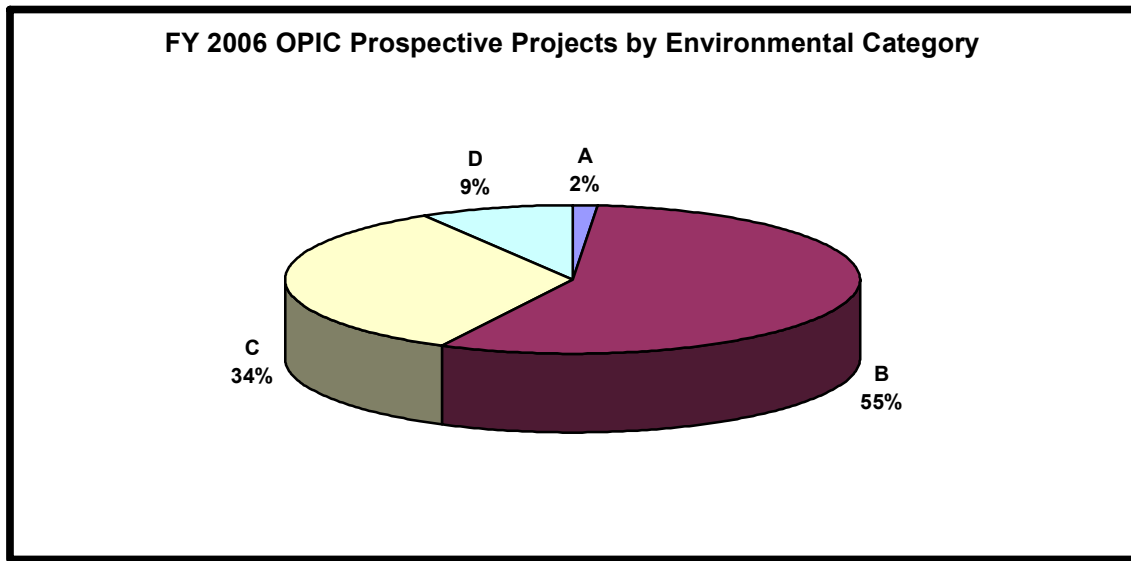


Figure 4

Public Disclosure and Comment

OPIC requires that applicants for Category A projects submit environmental impact assessments and/or environmental audits in a form that can be made public without compromising business confidential information. With the consent of the applicant, the country and industry sector involved in Category A projects are then posted on OPIC's web site, and the EIA and/or IEAU is made publicly available on request for a designated comment period of 60 days. For each project that is posted on the web site, a list server automatically emails a notification to more than 1000 interested parties informing them of the new project posting and inviting their inquiries. In addition, if a Category A project is large enough to require Board approval, the OPIC Board cannot consider the project until after the 60-day period has expired.

Two of the FY 2006 Category A projects involving an application by a U.S. investor, lender or contractor for OPIC financial services or insurance were posted on OPIC's website for 60 days and announced via the OPIC list server, giving the public and nongovernmental organizations full opportunity to request copies of the EIAs or IEAUs, and to comment on the projects' environmental and social impacts. All of the transactions requiring approval by OPIC's Board were publicly disclosed for at least 60 days prior to the Board vote on the transactions. One comment was received. This comment was conveyed to the Board for consideration prior to transaction approval. Beginning in FY 2007 all EIAs and IEAUs will be available for download directly from the OPIC website.

One Category A project involved an investment by an OPIC Investment Fund. In accordance with the procedures outlined in the February 2004 Environmental Handbook, the project EIA was disclosed in the host country for a 60-day comment period. No requests for copies of the EIA or comments regarding the EIA content were received from this disclosure. A link was provided through OPIC's list server informing the public and nongovernmental organizations of this host country disclosure. Beginning in FY 2007, all EIAs from OPIC Investment Fund investments will be directly available on OPIC's website.

Environmental Conditions

As noted in OPIC's Environmental Handbook, determinations of eligibility for the provision of OPIC financial services or insurance to a U.S. investor, lender or contractor may rely on critical representations and undertakings by the applicant or sponsor. OPIC includes explicit environmental and/or occupational health and safety conditions in insurance contracts, finance agreements and commitment letters issued for Category A and B projects.

For Category A projects, these conditions require project sponsors and/or investors to:

- Maintain ongoing compliance with:

- sector-specific guidelines such as those issued by the World Bank Group or other international organizations; or/and,
- other guidance (e.g., monitoring guidelines, occupational health and safety guidelines, etc) or operational policies of the World Bank Group or other international organizations; or/and,
- host country laws and regulations, including ongoing compliance with permitting requirements.
- Develop and implement environmental management and monitoring plans.
- Develop and implement occupational health and safety plans.
- Submit annual environmental, health and safety compliance reports.
- Notify OPIC within 48 hours in the event of an accident which results in a loss of human life or which has a material adverse impact on the environment.
- Undertake at least one third-party independent audit that evaluates the project's compliance with all OPIC environmental and social conditionality.

For the one Category A project reviewed in FY 2006 that resulted in an OPIC commitment to a U.S. investor the above requirements were included in the project consent. Additionally, for the one Category A Fund investment disclosed in the host country in FY2006 the above requirements were included in the project consent. Two of the three Category A projects reviewed in FY 2006 resulted in additional special conditions as described in the following table:

PROJECT	SPECIAL CONDITIONS
Development of petroleum exploration and production wells in existing concession areas and upgrades to existing facilities (OPIC provided political risk coverage on a \$1.8 billion investment by a U.S. company)	Exclusion of insurance coverage for assets and revenue derived from certain regions contained within an existing concession.
	Required implementation of any and all applicable environmental, health and safety regulatory requirements contained in joint venture operations.
	Required implementation of mitigation measures identified in the project Environmental Impact Assessment, Environmental Monitoring Plan and Waste Management Plan.
	Required summary of environmental, health and safety training provided to employees and description of spill response drill results.
	Requirement of notification in the event of any spill, fire or significant operational stop and description of implemented corrective action.
Development and construction of a new concentrator at an existing copper mine to allow processing of copper ore of a previously unusable mineralogy	Development and implementation of Environmental Management and Monitoring Plan.
	Required submission of a Hazardous Materials Management Plan.
	Required submission of an Erosion and Sediment Control Plan.
	Required submission of a Mine Safety Plan.
	Required submission of an Emergency Response Plan.
	Required submission of a Mine Reclamation Plan.
	Required addition of analytes to ambient air quality monitoring suite.
	Required addition of ambient air quality particulate matter standard using both annual arithmetic mean and maximum 24-hour average.
Required submission of third-party engineering audit of various tailings dam safety-related considerations.	

Project Examples

The following examples illustrate the diversity and novelty of some of the projects assessed by OPIC during FY 2006.

Açaí do Amapa Agroindustrial, Ltda.

OPIC provided a \$3.7 million direct loan to a U.S. investor to finance the construction of an açaí berry processing facility in the city of Santana, located in the State of Amapa, Brazil. The processing facility will receive and process açaí berries provided by local harvesters and supply frozen açaí pulp and powder to global markets. Açaí fruit is harvested from the açaí palm tree, which is widespread throughout the Varzea Flooded Forest ecosystem located along the Amazon River. The project seeks to develop sources

of income for indigenous populations that can be implemented in a sustainable manner and are in accordance with Brazilian and international standards for wild crop harvesting.

Monolithic Housing, S.A.

OPIC provided a \$7.85 million direct loan to a U.S. investor to build 800 houses for low-income families in Celaya, Mexico. The houses will be constructed using a modular construction system that utilizes injection-molded plastic forms that are assembled to create reinforced structures. The project uses innovative technology to waterproof, insulate and soundproof structures. The housing will be made available to the public through government sponsored financing that provides mortgages to lower-income sectors of the population.

Bravo Energy Mexico SRL de CV

OPIC provided a \$7 million direct loan to a U.S. investor to support construction and operation of a used lubricating oil refining facility in Queretaro, Mexico. The facility will use a distillation process capable of converting used lubricating oil into distillate products and fuel oil. The implementation of the project allows for the recycling of used lubricating oils into other productive uses, thereby reducing the possibility that these materials will be disposed of in a manner that pollutes the environment.

PowerSource Group

OPIC provided a \$2.5 million loan to a U.S. investor for a rural electrification project. Electrification in rural villages in the Philippines will be achieved via the addition of up to ten Community Energy Platforms (CEP). A CEP includes an electrical generator as well as communications, water purification and refrigeration modules. The electrical generators associated with the CEPs are fueled by diesel, as well as renewable energy systems such as biomass, wind, microhydro and solar arrays. The CEP modules use best environmental practices in design and operations while providing electricity, among other benefits, to communities previously without these services.

Monitoring and Compliance

OPIC's monitoring and compliance procedures include reviewing reports submitted periodically by OPIC clients, as well as conducting on-site visits to projects to evaluate their environmental performance and impacts on the physical environment and locally affected people. During FY 2006 OPIC officers conducted on-site environmental monitoring of 10 projects in seven countries including: two agribusinesses, two hydroelectric power plants, a railcar leasing operation, an automotive assembly plant, a plywood manufacturer, a bottling facility, a petroleum refinery and a gas pipeline. No material deficiencies were noted during these on-site monitoring visits.

In addition, as part of OPIC's environmental assessment process, OPIC environmental officers conducted on-site due diligence on four prospective projects in four countries including: an LNG terminal; a power plant fueled by natural gas; a large petroleum storage tank depot; and a natural gas pipeline project.

Tracking and Reporting Greenhouse Gas Emissions

In 1998, following a stakeholder dialogue, OPIC began tracking and reporting the climate change implications of the power sector projects where OPIC provides financial services or insurance to a U.S. investor, lender or contractor, using a methodology consistent with guidance available from the Intergovernmental Panel on Climate Change (IPCC), the World Bank, and others at that time. Using this methodology, OPIC undertook annual estimates of the CO₂ emissions from these projects during the preceding year and published the results in its Annual Environmental Reports. In addition, OPIC published a cumulative greenhouse gas (GHG) report for the years 1990–1999, and issued an update to the cumulative report in the FY 2003 Annual Environment Report.

Since 1998, however, a number of new methodologies to account for GHGs have been published that are more applicable to organizations such as OPIC, which do not own or control the plants responsible for the emissions. These include the World Business Council for Sustainable development (WBCSD) and World Resources Institute's Greenhouse Gas Protocol. The Greenhouse Gas Protocol is designed to set the standard for accurate, complete, consistent, relevant and transparent accounting and reporting of GHG emissions by companies and organizations.

According to the WBCSD, “[t]he Greenhouse Gas Protocol (GHG Protocol) is the most widely used international accounting tool for government and business leaders to understand, quantify, and manage greenhouse gas emissions. The GHG Protocol Initiative, a decade-long partnership between the World Resources Institute and the World Business Council for Sustainable Development, is working with businesses, governments, and environmental groups around the world to build a new generation of credible and effective programs for tackling climate change. The GHG Protocol provides the accounting framework for nearly every GHG standard and program in the world - from the International Standards Organization to the EU Emissions Trading Scheme to the California Climate Registry - as well as hundreds of GHG inventories prepared by individual companies. The GHG Protocol also offers developing countries an internationally accepted management tool to help their businesses to compete in the global marketplace and their governments to make informed decisions about climate change.”

Under the Greenhouse Gas Protocol, emissions are accounted for based on either an equity share or a financial or operational control basis. In other words, an organization chooses to report either a share of a facility's emissions consistent with its equity ownership or it chooses to report all emissions from a facility (regardless of share ownership) based on its having operational or financial control of the facility. The organization then assesses two types of emissions (Scope 1 and Scope 2) and may assess

a third type of emissions (Scope 3). Scope 1 emissions are direct emissions; Scope 2 emissions are emissions associated with purchased electricity; and Scope 3 emissions are other emissions, which can involve any indirect emissions associated with the lifecycle of products or services associated with the company’s activities (other than those associated with purchased electricity, i.e., Scope 2 emissions). Reporting of Scope 1 and Scope 2 emissions is mandatory while reporting of Scope 3 emissions is voluntary. The GHG Protocol is designed to prevent double counting of emissions between different organizations within scope 1 and 2.

Reporting Methodology

As illustrated in Table 1 OPIC reports no direct (Scope 1) emissions associated with its activities because it has no such emissions. OPIC reports indirect (Scope 2) emissions totaling 1,317 metric tonnes of CO₂ associated with its purchase of electricity. These are the estimated emissions that result from the generation of the electricity that OPIC purchased and consumed during the year. In addition, in order to maintain its commitment to tracking and reporting climate implications, OPIC voluntarily reports direct emissions associated with the power sector projects where OPIC provides financial services or insurance to a U.S. investor, lender or contractor during each fiscal year as Scope 3 emissions.

In reporting Scope 3 emissions for FY 2006, OPIC made commitments to provide financial services or insurance to a U.S. investor, lender or contractor in connection with three power projects in three countries with a total capacity of 52.2 megawatts (MW). Measured in terms of MW capacity, these projects are approximately 69% hydro (36 MW) and 31% (or 16.2 MW) thermal (with diesel as a fuel). One project accounted for all of the hydropower capacity and involved OPIC insurance to a U.S. investor in connection with the refurbishment and modernization of equipment at a pre-existing hydroelectric plant with 36 MW of production capacity. The second project involved a \$2.5 million OPIC loan to a U.S. investor to construct up to 10 “Community Energy Platforms” which are small 220kW generators used to provide electricity to rural locations. The third project involved OPIC insurance to a U.S. investor in an investment in an existing thermal power plant with 14MW of production capacity. As illustrated in Table 1, assuming full capacity operations, the three total projects could emit approximately 89,000 metric tons of carbon dioxide (CO₂) per year.

TABLE 1. OPIC FY 2006 CO₂ Emissions (in metric tonnes)

	SCOPE 1 EMISSIONS	SCOPE 2 EMISSIONS	SCOPE 3 EMISSIONS*
OPIC	0	1,317	89,000

* Includes emissions from FY 2006 OPIC-supported power sector projects for which owner/operator would typically report direct (Scope 1) emissions.

Reporting emissions in this manner is consistent with emerging guidelines and protocols for organizations such as OPIC. In addition, it better reflects emissions for which OPIC has some management control. In reporting power sector emissions, OPIC is reporting

emissions for facilities in which it holds no equity stake and for which it has no management or operational control. Emissions from these facilities are appropriately reported as direct (Scope 1) emissions by the owners or operators of such facilities, and as indirect (Scope 2) emissions by off takers or ultimate consumers of their electricity.

OPIC Emissions Methodology

OPIC used the Greenhouse Gas Protocol's methodology for reporting FY 2006 CO₂ emissions, including the calculation tool for accounting for indirect emissions from purchased electricity. In addition, OPIC used EPA's power profiler website (<http://www.epa.gov/cleanenergy/powerprofiler.htm>) to generate a supplier-specific conversion factor of 1.098 lbs CO₂/kWh.

In addition, as in past years, OPIC used a mass balance methodology, similar to that used by the IPCC, the World Bank, the U.S. Department of Energy and the U.S. Environmental Protection Agency, to quantify CO₂ emissions from overseas thermal power projects where OPIC provided financial services or insurance to a U.S. investor, lender or contractor (OPIC assumed no significant carbon dioxide emissions from pre-existing or new hydroelectric projects).

As estimates, these calculations may overstate CO₂ emissions for the following reasons:

- The calculations assume essentially full capacity (base load) operations, so any departure from this results in over estimation of CO₂ emissions;
- Calculations do not take into account CO₂ emissions reductions resulting from the displacement of more carbon-intensive fuels, such as coal and oil, by natural gas or more efficient sources of generation;
- In some circumstances, the availability of electric power may reduce reliance on fuel wood, thus reducing deforestation, which is a major greenhouse gas sink.