

March 25, 2008

Mr. Koji Tanami  
Governor  
Japan Bank for International Cooperation (JBIC)  
Tokyo, Japan

Dear Mr. Koji Tanami,

As you are no doubt are aware, on March 3, 2008 Sakhalin Energy Investment Company, Ltd. (SEIC) announced that it is withdrawing its application for nearly one billion dollars in financing from the US Export-Import Bank (Ex-Im Bank) and the UK Export Credit Guarantee Department (ECGD). As you must know, the withdraw of potential financing from the export credit agencies of these very influential governments tremendously increases the political, financial and reputational risks for other banks potentially involved in the project, such as JBIC.

As reported by Environmental Finance, Moscow Times/Reuters and other media outlets, SEIC withdrew its financing application from Ex-Im Bank and ECGD due to a protracted due diligence process connected to ongoing environmental problems. Indeed, the environmental due diligence of these banks was protracted precisely because SEIC has never been able to demonstrate that Sakhalin II comes anywhere close to complying with these bank's environmental policies. Also, in 2007, the European Bank for Reconstruction and Development withdrew its consideration for financing of Sakhalin II after several years of non-compliance with this multilateral bank's environmental policies. These public banks' policies set a level of environmental protection that is supposed to be analogous to those applied by JBIC, and that are embodied in the OECD Export Credit Group's *Common Approaches on Environment and Officially Supported Export Credits*, to which your bank claims to adhere.

JBIC's potential financing of Sakhalin II therefore violates JBIC's environmental guidelines and the *Common Approaches*. In light of the withdrawal of EBRD, Ex-Im Bank and ECGD, potential JBIC financing of Sakhalin II undermines the integrity of the *Common Approaches* and weakens efforts of other finance institutions to collectively strive to improve the environmental performance of Export Credit Agencies world-wide. Your potential financing of Sakhalin II also undercut the credibility of your claim to be a leader among banks in advancing the *Common Approaches*. Although we recognize that JBIC has made efforts to improve the environmental and social issues of the project, the project is already 90 per cent completed and it is now too late to mitigate the damage caused to Sakhalin's natural environment by construction work to date, much of the damage being irreparably. Furthermore, there are problems which have not been solved yet such as ongoing landslides. We therefore reiterate our demand that JBIC uphold its commitment to its environmental guidelines and the *Common Approaches* by declining financing for Sakhalin II.

We respectfully request a response at your earliest convenience.

Sincerely,

Doug Norlen  
Pacific Environment  
USA

Dmitry Lisitsyn  
Chairman  
Sakhalin Environment Watch  
Russia

Naomi Kanzaki  
Friends of the Earth Japan

Ivan Lesay  
Narodny koordinator CEE Bankwatch  
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Jan Cappelle  
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Daphne Wysham  
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Heffa Schuecking  
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Nicholas Hildyard  
The Corner House  
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Michael Brune  
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