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Dr. Alistair Clark
Mr. Mark King
Environment Department
European Bank for Reconstruction and Development (EBRD)
One Exchange Square
London, EC2A 2JN
United Kingdom

Comments on Sakhalin II Oil and Gas Development Project Violation of Policy of European Bank for Reconstruction and Development

EBRD established Environmental Policy “*to promote in the full range of its activities environmentally sound and sustainable development.*” EBRD has currently considering financing for Phase 2 of Sakhalin II Oil and Gas Development Project. However, the project has already violated the Policy of EBRD. FoE Japan strongly believes that EBRD should not provide any finance to Sakhalin II project.

EBRD states in its Environmental Policy that;

“The EBRD supports a precautionary approach to the assessment of environmental impacts. The EBRD’s environmental appraisal work will seek to verify that each project in which the EBRD invests will be implemented on an environmentally sound basis. It is the responsibility of the project sponsor to provide the EBRD with all information required for the environmental appraisal to the satisfaction of the EBRD.”

“An Environmental Impact Assessment (EIA) is therefore required to identify and assess the future environmental impacts associated with the proposed project, identify potential environmental improvement opportunities, and recommend any measures needed to prevent, minimise and mitigate adverse impacts.”

“The EBRD supports a precautionary approach to the management and sustainable use of natural biodiversity resources (such as wildlife, fisheries and forest products) and will seek to ensure that its operations include measures to safeguard and, where possible, enhance natural habitats and the biodiversity they support.” And

“The EBRD also clearly establishes the principle that a proposed project can be rejected on environmental grounds, when there are major environmental problems, or when a proposed project fails to address environmental issues in a satisfactory way.”

It is impossible for Sakhalin II project to comply with the statements and requirements as above

because of the following reasons.

The timing of disclosure of EIA Addenda

After EIA was released in 2003, Sakhalin II took almost 3 years to complete and release the Addenda. It is necessary to consider the alternatives and mitigation measures at an early stage of the project to take a precautionary approach as EBRD states. However, by the time the Addenda was disclosed in December 2005, more than 60% of the construction work had been already completed. The Sakhalin Energy Investment Company Ltd. (SEIC) has never considered any measures to prevent the adverse impacts properly. In addition, SEIC has failed to prepare essential documents at this final stage. For example, mitigation measures of the impacts on Steller's Sea Eagle are roughly described in the Action Plan which require to review the unreleased "impact mitigation guidelines" for more details. We as well as EBRD cannot judge the proposed mitigation measures in the Action Plan are sufficient without seeing the guidelines.

Inaccuracy of description in EIA Addenda

Since there are various insufficient and inaccurate information and data found in 2003 EIA, SEIC developed the Addenda and released it in December 2005¹. However, there are basic mistakes found in the Addenda including scientific name of bird species even in English original text. It was pointed out by Japanese wildlife experts in their independent review report² of EIA Addenda. The experts also pointed out that there are quite a few mistranslations between Russian, English and Japanese version. It should not be allowed to accurately grasp the contents of the documents as such.

Oil Spill Response Plan for Phase 2 has not been completed

Oil Spill Response Plan (OSRP) was supposed to be completed and submitted to Russian government by the end of 2005 originally, 6 months before the start of production. SEIC announced last July that production schedule was delayed. However, we do not think that it justifies delaying OSRP completion. Sakhalin II has already experienced oil spills such as Kholmsk case in September 2004 and completion of OSRP was pressing need from also stakeholders in Japan. EBRD currently cannot judge that the OSRP would be the one satisfactory to the bank. There are a lot of concerns still remained regarding oil spill response especially in ice covered sea, so that EBRD should review the OSRP for Phase 2 as a part of due diligence process to take all possible measures to ensure.

No consideration on Biodiversity

EBRD Environmental Policy put weight on the viewpoint of biodiversity beyond rare species or

¹ Japanese translation was disclosed in the end of February-March 2006.

² The review report was submitted to EBRD and JBIC at the public meetings in Sapporo in April 10, 2006. See the

important species. However, Sakhalin II EIA Addenda completely lacks of its viewpoint. FoE Japan welcomed the decision of the change of offshore pipeline route to consider the impacts on Western Gray Whale. However on the other hand, it showed us that SEIC did not consider biodiversity impacts while choosing the alternative route because the changed pipeline route was on important habitat for Steller's Sea Eagle. In addition, another example to show the lack of precautionary approach in the project is that SEIC did not consider the relocation of the platform, which certainly adds risk on the endangered whale to its extinction, ignoring the major recommendations by IUCN independent panel.

Transboundary impacts is left behind

EBRD policy states, "*For projects involving transboundary impacts, the notification and consultation guidelines in the working papers to the UNECE Convention on EIA in a Transboundary Context must be taken in to account in the planning process and followed in principle.*" EBRD announced the project named "Sakhalin: Oil Spill Contingency Plan and Transboundary Communication Programme (Project ID 34945)" in March 2004. This showed EBRD had acknowledge the fact that sea of Okhotsk and the region is vulnerable to oil spill. Through the programme, EBRD intended to "make a recommendation on detailed procedures for notification of transboundary incidents, with the view of developing and efficient coordination mechanism and a good practice guidance under the UNECE Convention on EIA in a Transboundary issue³." The programme, however, was cancelled because of failure to reach agreement with Russian government. Currently there is no framework to replace such a programme. EBRD should not support large-scale oil and gas development projects in that region without such a principle take into place.

No meaningful Consultation Meeting

EBRD policy states that with Category A project, "*those people potentially affected will have the opportunity to express their concerns and views about issues such as project design, including location, technological choice and timing, before a financing decision is made by the EBRD.*" And, "*for significant "greenfield" projects and projects involving a major expansion or transformation-conversion, the Bank is committed to meaningful consultation.*" EBRD held public consultation meeting in April 10th in Hokkaido after stated SEIC's documentation as "fit for purpose for consultation." Hokkaido is the area affected by transboundary impact of Sakhalin II. However the consultation was not held properly that prevented local people from raising concerns or providing valuable information openly from the local point of view. There are two factors contributed to create such a situation as follow.

page 11 of the report for inaccurate descriptions.

³ excerpt from the announcement of the programme released on the EBRD website.

1. SEIC held public meeting which had serious flaw in fairness and reliability, prior to EBRD's consultation.

SEIC's meeting was held at same day, same room with EBRD's consultation. It was technically different meeting from EBRD one, but had certainly relevance and continuity. At three hour SEIC's meeting which EBRD also attended, SEIC made one and half hour presentation which purposed company's PR and propaganda. The contents completely ignored and concealed the facts regarding environmental and social issues which civil society and EBRD had worked on over the years⁴. Not only given biased information from SEIC, participants also had few time to speak and raise concerns. This made local people appalled at and feel useless to say anything. Some people left venue before EBRD's consultation started.

2. EBRD failed to play independent role as public financial institution backing SEIC's unreliable and biased speech.

One hour after the SEIC's meeting, EBRD's consultation started. During consultation, EBRD praised SEIC's presentation and supported company's due diligence constantly. It seemed EBRD had lost its independency to review the project, had already made decision and stood same position with the company. There was no attitude "*willingness to listen*" and "*receptivity to comment*" to local people's voice from EBRD as it states in policy. EBRD also avoided answering questions which had no answer in EIA Addenda saying, "let's talk about it later independently." Most of the answers from EBRD sounded justification for financing. With all circumstances, the consultation in Hokkaido cannot be counted as proper consultation.

Conclusion

It's very clear that SEIC did not listen to the concerns of the local people, Banks, NGOs and even world class scientists they hired for myriad of occasions. EBRD has crucial role to play for making standards for environmental and social consideration both now and in the future. There is no question that Sakhalin II is not the project deserve to acquire public fund. We urge EBRD to make decision not to finance Sakhalin II.

Shoko Murakami / Naomi Kanzaki

Friends of the Earth Japan

2F 3-17-24 Mejiro Toshima-ku Tokyo, 171-0031

Tel:+81-3-3951-1081 Fax:+81-3-3951-1084

⁴ 64 pages of powerpoint pictures and graphics, SEIC's Deputy CEO, David Greer mentioned damping site in Aniva Bay is world best practice and its impact will be only 0.02% of the bay, river crossing will give less than 1% impact on salmon spawning river, SEIC has good relationship with indigenous people, number of the whale increased this year and changing pipeline route for Western Grey Whale was SEIC's own decision, no pressure from NGOs etc.