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Jean Lemierre
President
European Bank for Reconstruction and Development (EBRD)

Kyosuke Shinozawa
Governor
Japan Bank for International Cooperation (JBIC)

Patrick Crawford
Chief Executive Officer
Export Credit Guarantee Department (ECGD)

James Lambright
President and Chairman
Export-Import Bank of the U.S. (US Exim)

Dear Sirs,

During the Annual General Meeting of European Bank for Reconstruction and Development (EBRD), we were informed that Sakhalin Energy Investment Company, Ltd. (SEIC) is currently conducting construction work of pipeline crossing around Chaivo Bay where is crucial habitat for migratory rare bird species. It is also confirmed from several sources in Sakhalin island. It is the most important nesting and breeding season for those bird species¹.

This is not only a clear breach of mitigation measures committed by SEIC in official documentations but also a breach of trust as SEIC provided false information to Japanese stakeholders through public meeting that is “the pipeline construction work in Chaivo Bay has finished this winter where there is no existence of birds.” Responding to the information SEIC provided, EBRD staff also affirmed it saying “Obviously we should note that the Chaivo crossing has already taken place this winter and of course in the absence of birds” at the public consultation meeting in Sapporo in April 2006².

In Environmental Impact Assessment to Working Project Onshore Pipelines Construction (Chaivo, October 2005)³, SEIC states;

“Construction of the pipeline system (water crossings inclusive) is planned for the winter season (2.1.2 Mainlaying)”

“construction of onshore pipelines will be performed in the winter season so to prevent the migration season and the life cycles of nestling birds and, first of all, of the protected critically endangered ‘Red Book’ species;

¹ Steller's sea eagles could start breeding behavior around the end of February.

² www.ebrd.com/country/sector/natural/projects/sakhalin/consult/sapporo.pdf (p27)

³ www.sakhalinenergy.com/en/library.asp?p=lib_sel_eia20032005&l=chaivo_eia

国際環境 NGO **FoE Japan**

Web) <http://www.FoEJapan.org> Email) info@foejapan.org

〒171-0031 東京都豊島区目白 3-17-24-2F Tel) 03-3951-1081 Fax) 03-3951-1084

Friends of the Earth Japan

2nd fl. 3-17-24 Mejiro, Toshima-ku, Tokyo 171-0031 Japan Tel) +81-3-3951-1081 Fax) +81-3-3951-1084

(9.4 Environment actions on minimization of damage to fauna)”

Also, in the Onshore biodiversity Commitments of Health, Safety, Environment and Social Action Plan (Nov 2005), SEIC commits⁴;

“34: *Winter working to avoid sensitive areas of wetland habitat used by breeding red data book bird species; (during the construction of Alternative 1 onshore pipeline reroute around the Chaivo area)*”

The migratory birds in the area includes Steller’s sea eagles and Spotted-greenshanks which are identified in Russian RDB, IUCN Red lists and in the Japan-Russia Migratory Bird Agreement that requires to “make efforts to take appropriate measures to protect or restore the habitat of bird species (Article 6).” Therefore a number of Japanese Ornithologists, wildlife experts and citizen have raised strong concerns and opinions to SEIC’s environmental assessment and construction activities for several years⁵.

Nevertheless SEIC decided to choose Chaivo Bay area, where SEIC itself acknowledged the importance for those bird species, as rerouted pipeline route in 2005 without any consultation with Japanese stakeholders and appropriate consideration of the impact to wildlife species including endangered bird species by the alteration.

Whereas the decision of the pipeline route has been still problematic for us, SEIC’s failure to take minimum mitigation measure with this case explicitly showed us SEIC has no intention to take precautionary approach to prevent or minimize impact to protect rare, endangered bird species and their habitats.

EBRD’s environmental policy, which is also the benchmark of the Common Approach of Export Credit Agency states;

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 responsibility of the project sponsor to provide the EBRD with all information required for the environmental appraisal to the satisfaction of the EBRD.

After more than 3 years of due diligence, the company still treats environmental information at the poorest manner that prevents lenders as well as stakeholders to know the truth and keeps creating gaps between the facts and what is written in the paper.

EBRD policy states;

EAPs (Environmental Action Plan) are agreed between the EBRD and the project sponsor and become part of the legal agreement with the Bank...The EAP should be satisfactory to the Bank prior to final review of the project by EBRD management.

SEIC violated one of the most crucial commitments of minimum mitigation measure on rare or endangered

⁴ www.sakhalinenergy.com/en/library.asp?p=lib_sel_hsesap2005&l=hsesap_part2

⁵ e.g. a letter from the Japanese Society of Zoo and Wildlife Medicine (July, 2003), a letter from Wildlife Preservation Bureau of Hokkaido Corporation (August 2003), Expert Reports on the Environment Impact Assessment of Sakhalin II by Institute for Raptor Biomedicine Japan (January 2004), a letter from Hokkaido Government (February 2004), Expert Review Report on the EIA Addenda (April 2006)

bird species which leaves irreversible impact.

Lastly, the area also meet criteria for the Convention on Wetlands of International Importance, especially as Waterfowl Habitat (Ramsar Convention) and identified as Important Bird Area (IBA) by BirdLife International, which consists of organizations at 100 countries and regions. This case enough represented that SEIC's Sakhalin II far from meet international standards.

EBRD policy states;

The EBRD will not finance projects that would contravene country obligations under relevant international environmental treaties and agreements, as identified during the environmental appraisal.

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.

We had requested SEIC's CEO Ian Craig to stop construction work immediately. However the irreversible impact will not be cancelled. We urge you not to finance public money to the Sakhalin II oil and gas development project which does not meet your policy fundamentally.

Sincerely,

Shoko Murakami
Naomi Kanzaki

Friends of the Earth Japan
2F 3-17-24 Mejiro Toshima-ku
Tokyo 171-0031, Japan
Tel: +81-3-3951-1081
Fax: +81-3-3951-1084
Email: murakami@foejapan.org