

March 31, 2010

Mr. Rex W. Tillerson
CEO Exxon Mobil Corporation
(Via Facsimile)

Re: Environmental and Social Considerations of Sakhalin 1 Oil and Gas Development Project

With regard to environmental and social considerations of the Sakhalin 1 Oil and Gas Development Project (hereafter Sakhalin 1 Project), we'd like to express our concerns as below and call on Exxon Neftegas Limited (ENL) to take appropriate measures.

Information Disclosure and Stakeholder Communications in Japan

The development area of Sakhalin 1 Project is located in the northeast Sakhalin Island, as is the same for Sakhalin 2 Oil and Gas Development Project (hereafter Sakhalin 2 Project). Japanese citizens are very interested in oil and gas development projects around the Sakhalin Island because once an oil spill accident such as by tank vessels happens, it would potentially cause huge environmental damages to Japan. Also, in the development area of Sakhalin 1 Project, there are important habitats (breeding areas, feeding areas, migratory routes etc.) for critically endangered wild animals such as Western Gray Whales, Steller's sea-eagles, Spotted greenshanks etc, which are also listed as species specified by Convention between the Government of Japan and the Government of Russia for the Protection of Migratory Birds and Birds in Danger of Extinction and Their Environment. Therefore, Japanese citizens are concerned about the impacts of the Sakhalin 1 Project to the wild animals which are not only living in Russia but also are migrating to Japan.

Although Japanese citizens are interested in Sakhalin 1 Project, information on the environmental and social considerations of the Sakhalin 1 Project has been very limited to Japanese public so far. Accessible information in Japan is merely Environmental Impact Assessment of Sakhalin 1 Project Phase 1 (December 2001) in Russian, disclosed by JBIC. Although Sakhalin 1 Project website shows "Environmental Performance", it only depicts basic principles and lacks in comprehensive environmental impact assessment, mitigation measures and monitoring results.

Looking at the example of the proponent of the Sakhalin 2 Project, Sakhalin Energy Investment Company (hereafter SEIC), although its practices were not appropriate in the beginning, it began to regard Japanese citizens as its stakeholders and has made efforts to improve information disclosure, stakeholder communications and reflection of their opinions to the development plans and operations of the Sakhalin 2 Project.

SEIC has made certain information public to Japanese citizens. In principle, SEIC translated key public domain documents that have trans-boundary nature into Japanese such as Overview of the 'Environmental, Social and

Health Impact Assessment’, Sections of the ‘Environmental Impact Assessment Addendum’ that have relevance in a trans-boundary context, Tables from ‘Health, Safety, Environment and Social Action Plan (HSESAP) 2005’ that have relevance in a trans-boundary context, ‘Phase 1 Oil Spill Response’ summary, ‘The Corporate Oil Spill Response Plan for Phase 2’, ‘The Offshore Prigorodnoye Oil Spill Response Handbook’, Chapter 6.6 of the ‘Public Consultation and Disclosure Plan’, and Minutes of stakeholder meetings in Sapporo and Tokyo.¹ More public domain information on project’s environmental and social considerations is available in English.²

We call on Sakhalin 1 Project to disclose information at least on the equivalent level as Sakhalin 2 Project, in other words, to make available to the Japanese public the Sakhalin 1 Project’s key public domain information of environmental and social considerations that has trans-boundary nature, and Sakhalin 1 Project consortium to continue to communicate with Japanese stakeholders on environmental issues.

Cooperation with International Scientific Environmental Experts Efforts to Protect Endangered Wild Animals and Ecosystem

As described above, the development area of Sakhalin 1 Project is located in the northeast Sakhalin Island where rare wild animals use as their habitats (breeding areas, feeding areas, migratory routes etc.). There are also procedures going on to set the area as protected area or wildlife reserve, efforts initiated by Russian NGOs. One of the critically endangered wild animals in this area is Western Gray Whales. Although SEIC was not always exemplary, it took action to establish, maintain, and adhere to the recommendations of the Western Gray Whale Advisory Panel (WGWAP), an independent international scientific panel to assess Sakhalin oil and gas project impacts on this critically endangered population. The panel has noted the importance of interested parties who have potentially impact on the WGW to participate in the process. In the Terms of Reference of the WGWAP, as “Scope” it states:

*To conserve the WGW, it is important that the interested parties potentially having impact on the WGW participate in the WGWAP process.*³

However, cooperation by ENL with the panel process has not been sufficient so far. For example, the WGWAP-5 report states:

Sakhalin Energy has reported an inability to share data with the Panel, citing ENL’s unwillingness to cooperate. The Panel recognises the unfortunate situation whereby ENL does not see any advantage to its participation in the Panel process. However, it is unclear how a refusal to share jointly collected data, once the normal scientific validation and analysis process has been completed, could possibly be to the advantage of ENL and it certainly impedes the cause of

¹ http://www.sakhalinenergy.com/en/documents/PCD_Report_revision_1_2008_Eng.pdf

² <http://www.sakhalinenergy.com/en/library.asp>

³ http://cmsdata.iucn.org/downloads/terms_of_reference.pdf

*western gray whale conservation.*⁴

The most recent panel's report (WGWAP-7 report) states:

*Plans by ENL (Sakhalin I project) for further construction activity associated with the Piltun Lagoon pipeline and for further development of the Arkutun-Dagi field just east of the Chaivo field are mentioned in documents WGWAP-7/26 and WGWAP-7/Inf.5 but no detailed information was available for the Panel to consider.*⁵

Also, Russian and international environmental NGOs and the WGWAP have expressed experts' concern that ENL's pipeline across Piltun Bay could negatively impact the WGWs and that an alternative pipeline route is needed:

*The WGWAP and its predecessor panels have repeatedly expressed concern that Piltun Lagoon may be crucial to the productivity of feeding areas for western gray whales, and that the Lagoon must, as a consequence, be carefully monitored and effectively protected from disturbance.*⁶

And:

*Given the precarious state of the western gray whale population, a precautionary approach is essential. We suggest that it would be preferable to develop an alternative option, such as rerouting of the pipeline, to eliminate the potential for disruption of key processes of biological productivity within the Lagoon.*⁷

Nevertheless, ENL did not respect the recommendations and constructed the pipeline.

In the WGWAP-7 report, the panel expressed its concern as below:

The Panel has ongoing concerns regarding two aspects of the activities of ENL in the Sakhalin I project area. Firstly, there is concern about the status and the potential ecological impacts of the pipeline recently constructed in bottom sediments across the centre portion of the lagoon... The reported pipeline problems raise concerns about increased oil spill risks, and questions regarding ENL's oil spill and environmental monitoring efforts.

Secondly, the Panel is concerned about recent claims by ENL that observed anomalies in numbers and distribution of gray whales in the Piltun region during late spring, summer, and fall 2008 were due to changes in benthic prey populations rather than acoustic disturbance associated with industrial activities (see document WGWAP-7/26). The latter possibility was discussed in detail at WGWAP-5 and WGWAP-6. The former possibility is not supported in the documentation seen thus far by the Panel. That there is a link between fluctuations in benthic prey populations and 'anomalous' gray whale distribution is a plausible hypothesis, but the validity of such a hypothesis has not been documented in a scientifically valid and transparent manner. In

⁴ http://cmsdata.iucn.org/downloads/wgwap_5_report_final_040209.pdf

⁵ http://cmsdata.iucn.org/downloads/wgwap_7_report.pdf

⁶ http://cmsdata.iucn.org/downloads/02_app_2_letter_on_piltun_lagoon_final_02_may_3.pdf

⁷ Ibid #6

the Panel's view, unsubstantiated claims of this type are not an acceptable form of scientific discourse. It is particularly worrisome when claims of this kind are allowed to influence management policies without having undergone appropriate scrutiny by the scientific community. And:

*The Panel **requests** that ENL provide the following information:*

- A summary of monitoring activities related to both oil spill risk and ecosystem effects associated with the oil pipeline across the centre portion of Piltun Lagoon and*
- Copies of reports documenting the link between benthic prey population dynamics and the 'anomalous' distribution of gray whales in the Piltun region during late spring, summer, and early autumn of 2008.⁸*

The Sakhalin 1 Project website states:

ENL recognizes the environmental sensitivities offshore Sakhalin Island and believes that the Sakhalin-1 resources can be developed in an environmentally responsible manner, by combining careful design practices and mitigation measures to avoid or minimize impacts.

However, we concern that ENL's current attitude toward the suggestions by the independent international experts panel and NGOs would undermine the panel's and interested parties' efforts to protect the WGWs. Although Sakhalin 1 Project takes measures, so far there is no means to independently assess that its measures to protect the WGWs are effective or not without ENL fully cooperating with the independent experts panel's process and disclose to the public information on environmental assessments, mitigation measures, and monitoring results of Sakhalin 1 Project in a more comprehensive manner. Thus, we call on ENL to cooperate with the WGWAP's process, or explain in detail to the public how the measures to protect the WGWs are effective.

Conclusion

With concerns mentioned above, we sincerely ask you to correspond to the following items;

- 1. Disclosing the public domain information of environmental and social considerations of Sakhalin 1 Project in English and information that has trans-boundary nature in Japanese.**
- 2. Providing the opportunity for the Japanese public to listen to the explanation on the Sakhalin 1 Project.**
- 3. Continuing to communicate with Japanese stakeholders upon request.**
- 4. Providing the contact point where Japanese citizens can access.**
- 5. Fully cooperating with the WGWAP's process, or explain in detail to the public how Sakhalin 1 Project measures to protect the WGWs are effective.**

⁸ Ibid #5

We strongly hope that your company will take decisive measures in this matter. We'd like to hear from you soon.

Sincerely,

Aleksey Knizhnikov
Oil and Gas Environmental Policy Officer
WWF Russia

Eri Watanabe
Development Finance and Environmental Program
Friends of the Earth, Japan

Huub Scheele
Both ENDS
The Netherlands

Regine Richter
urgewald Büro Berlin
Germany

Cc: Sakhalin Oil & Gas Development Co., Ltd. (SODECO)
Japan Bank for International Cooperation