

August 7th, 2008

Japan Bank for International Cooperation
Mr. Koji Tanami

Friends of the Earth Japan

**Opinion and Request on the Monitoring of the Loan to Sakhalin II Phase
Two Construction by JBIC**

We write this letter in hopes of making requests regarding the monitoring of the “Sakhalin II Oil and Gas Development Project Phase 2” that your bank has concluded a loan agreement for on June 16th.

Since 1998, FoE Japan has provided your bank with information on, and has requested to work on solving the environmental and social problems of this project. We express our deepest regret to the second phase of the projects as nearly all the building process has finished with only limited improvements made due to delays in countermeasures and with only insufficient reconsideration of the fundamental aspects to limit the impacts, regardless of our pointing out various environmental and social problems from the very early stages of construction.

Furthermore, FoE Japan and 16 NGOs handed in a letter on June 11th just before the conclusion of the loan agreement pointing out numerous violations of the JBIC Guidelines and international standards made by Sakhalin Energy and asking not to give loans to the company. However, the loan was decided without any response from your bank on the letter, and we believe that you have not fulfilled your responsibility of explaining to the stakeholders your decision to sign the loan agreement.

Your bank puts an emphasis on carrying out the commitments that Sakhalin Energy indicated in the “Health, Safety, Environment and Social Action Plan” but as of the signing of the loan agreement, not only were there cases not dealt with or unsolved, specifics as to when and how these cases will be solved were not apparent. As the day of full-operation nears, we believe that these cases should be quickly dealt with.

As we have pointed out numerous times in the past, within these problems are included: inappropriate disposal from the construction of onshore pipelines, some of the Oil Spill Response plans not even getting the approval of the Russian government, and the lack of progress in the Biodiversity Action Plan since the experts meeting held once in December 2007. It is important that not only are these plans established, but that it is effective in preventing and minimizing the negative environmental and social impacts, and also that it is properly carried out.

We understand that your bank is currently monitoring the project, and it is important that information is disclosed to the public, unsolved problems quickly solved, and that no new problems arise. In other words, as the financing institution of this project, we believe that your bank takes on a greater explanation responsibility. Also, we understand that your bank has the leverage over solving the environmental and social problems associated with this project.

With these backgrounds to the project, we request the following regarding the monitoring of this project. We ask that you reply to these points regarding your banks actions.

[Environmental and Social Monitoring by the Sakhalin Energy]

- **Secure the disclosure of the whole environmental and social monitoring report by the Sakhalin Energy in Sakhalin and Japan.**
- **Disclose issues in the monitoring report associated with Japan in Japanese translation so that the Japanese citizens can understand it.**

[Environmental and Social Monitoring by JBIC]

- **Prior disclosure of your bank's monitoring plan (season and frequency, objective, methods, items). (This Includes monitoring by document and field inspection.)**
- **Carry out your bank's monitoring (especially field inspection) to not only the project operator but to the affected people and third party members such as local NGOs to secure validity and fairness in gathering the information.**
- **Disclose the objective, methods, monitoring items, duration, investigator, place visited (person visited)(*1), identified facts, results,**

and your bank's future actions taking into account the results of your bank's environmental and social monitoring (especially field inspection) so that Japanese citizens can find out. (Possibilities include the disclosure of your bank's monitoring report.)

- **Disclose your bank's monitoring report in Japanese with at least an English translation.**

*1 You must take into consideration the safety of the person when mentioning the visited place or person.

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