



*Sakhalin Environment Watch*



## NGO Statement of concern regarding the Sakhalin II oil and gas project

31<sup>st</sup> March 2011

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*Note: This statement is a follow up from the 8<sup>th</sup> January 2003 “Statement of Common Demands by Environmental NGOs regarding the Sakhalin I and Sakhalin II Oil and Gas Projects”, which is available at: [http://www.ifaw.org/Publications/Program\\_Publications/Whales/asset\\_upload\\_file661\\_12162.pdf](http://www.ifaw.org/Publications/Program_Publications/Whales/asset_upload_file661_12162.pdf)*

**The undersigned organizations highlight their strong concern regarding the environmental impacts of Sakhalin II, and request that additional Sakhalin II offshore activities do not occur because the following basic operational standards have not been met.**

The undersigned organizations therefore believe that Russian and Sakhalin authorities, financial institutions, consumers, and other interested parties should act within their power to prevent additional Sakhalin II project activities progressing.

Sakhalin II is one of the world’s largest integrated oil and gas projects. The Sakhalin II project may have a potentially devastating impact on critically endangered Western gray whales, which feed virtually exclusively adjacent to the offshore portions of the project. The Sakhalin II operator (Sakhalin Energy Investment Company<sup>1</sup>, hence forth termed ‘Sakhalin Energy’) has a legal, social and ethical responsibility to ensure the project does not have unacceptable levels of damage to the marine environment, and the fragile species that live within it.

As a fundamental starting point, Sakhalin Energy has a responsibility to use the best international practices for oil and gas exploration and development. In this document, we refer primarily to the Equator Principles, which form a common baseline and framework for social and environmental policies, procedures and standards. Several Sakhalin II lenders are ‘Equator Principles Financial Institutions’, and thus have committed to not providing loans to projects where the borrower will not, or is unable to, comply with the Equator Principles. Thus it is imperative that Sakhalin Energy complies, at the very least, with the Equator Principles for all activities under Sakhalin II.

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<sup>1</sup> Sakhalin Energy Investment Company is a partnership between Gazprom (50% plus 1 share), Shell (27.5%), Mitsui (12.5) and Mitsubishi (10%)



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Of particular note are four areas:

- 1) The need for comprehensive Environmental Impact Assessments
- 2) The need for an Action Plan on mitigation measures
- 3) The need to assess cumulative impacts
- 4) Fundamental changes in project scope require appropriate authorization

### **1) Environmental Impact Assessments**

Equator Principle 2 outlines the need for “*a Social and Environmental Assessment process to address ... the relevant social and environmental impacts and risks of the proposed project ... The Assessment should also propose mitigation and management measures relevant and appropriate to the nature and scale of the proposed project.*”

An Environmental Impact Assessment (EIA) should be undertaken, and endorsed through a consultative process, prior to the commencement of any activities related to the project.

The undersigned NGOs express significant concern that Sakhalin Energy plans to commence activities on a new project – the installation of an additional offshore production platform in South Piltun, henceforth termed the ‘third platform,’ and associated subsea pipelines – in the absence of a comprehensive EIA covering platform development and construction. Sakhalin Energy plans to proceed with an initial stage of development of the third platform – a 2D seismic survey in the area proposed for platform construction – as early as summer 2011. No EIA for the third platform or for the 2011 planned seismic survey have been made publically available. Nor has any previous EIA for the Sakhalin II project assessed the third platform, its associated subsea pipelines and related seismic testing.

***The undersigned NGOs request all activities relating to the third platform be halted, including seismic surveys planned for summer 2011, until a comprehensive EIA for the entire third platform and associated subsea pipeline project has been developed, shared in a transparent and consultative manner, and endorsed by the appropriate bodies.***

### **2) Action Plan on mitigation measures**

Equator Principle 4 requires “*an Action Plan (AP) which addresses the relevant findings, and draws on the conclusions of the [Environmental and Social] Assessment. The AP will describe and prioritise the actions needed to implement mitigation measures, corrective actions and monitoring measures necessary to manage the impacts and risks identified in the Assessment. Borrowers will build on, maintain or establish a Social and Environmental Management System that addresses the management of these impacts, risks, and corrective actions required to comply with applicable host country social and environmental laws and regulations, and requirements of the applicable Performance Standards and EHS Guidelines, as defined in the AP.*”

Accordingly, financiers contractually required Sakhalin II project sponsors to develop and adhere to a Health, Safety, Environmental & Social Action Plan (HSESAP). Required mitigation measures in the HSESAP were developed on the basis of findings in the project’s environmental assessments. However, since previous Sakhalin II Environmental Impact Assessments rejected a third platform, the ensuing HSESAP contains no mitigation measures for the third platform. Therefore, in addition to the lack of a



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required Environmental Assessment for the third platform, there is also no required Action Plan for any aspects of the proposed platform development, including the seismic testing planned for 2011.

***The undersigned NGOs request all activities relating to the third platform be halted, including seismic surveys planned for summer 2011, until a comprehensive Action Plan for the entire third platform and associated subsea pipeline project, including associated seismic testing, has been developed.***

### **3) Cumulative impacts**

The Equator Principles outline the list of potential social and environmental issues to be addressed in Social and Environmental Assessment documentation (see exhibit II). This list specifies that the following be included: “*cumulative impacts of existing projects, the proposed project, and anticipated future projects.*”

Currently there are several major oil and gas exploration and development operations off Sakhalin Island. The cumulative environmental impact of these projects has not been effectively assessed, and is likely to be severe. For example, in summer 2010, three major seismic surveys were undertaken independently in the vicinity of feeding habitat of the critically endangered Western North Pacific gray whale (WGW) – one by Rosneft, one by Gasprom, one by Sakhalin Energy. The cumulative impact of these surveys, particularly the Rosneft and Gasprom surveys that occurred simultaneously in the two main feeding areas of the WGW, is currently unknown. The Western Gray Whale Advisory Panel, which was established as a condition of bank financing for Sakhalin II, has repeatedly expressed concerns and recommendations about cumulative impacts. Alarming, the lack of any real assessment of the cumulative impacts of even existing projects, let alone proposed and anticipated future projects, has become standard for the vast majority of operations around Sakhalin Island. This is generating an unacceptable level of risk to Sakhalin’s marine environment, and particularly to species such as the WGW.

***The undersigned NGOs request all activities related to the third platform be halted, including seismic surveys planned for summer 2011, until a full assessment of the cumulative impacts of all existing projects, the proposed project (the third platform), and anticipated future projects has been conducted.***

### **4) Fundamental changes in project scope require appropriate authorization**

The Sakhalin II project was authorized and approved based on two platforms, not three. Sakhalin Energy’s own assessments during the development phase for the second platform stated that drilling technology advances eliminated the need for a third platform. The company acknowledged in its Platform Site Selection Report<sup>2</sup> and in the Sakhalin II Phase 2 Environmental Impact Assessment<sup>3</sup> that building two rather than three platforms “results in a smaller footprint with consequent reduced environmental impact”.

<sup>2</sup> Section 2.2, *Fewer Platforms*: “Limiting the number of platforms minimises the amount of steel and other resources consumed in platform construction, as well as the environmental impact that results from the construction process, including air emissions. It also reduces the physical imprint on the environment, and significantly reduces the potential for environmental impact to the seafloor and the surrounding water and air. This is also a prudent use of financial resources and results in lower capital and operating costs.”

[http://www.sakhalinenergy.ru/en/documents/doc\\_32\\_pab.pdf](http://www.sakhalinenergy.ru/en/documents/doc_32_pab.pdf)

<sup>3</sup> Section 5.3.1, *Extended Reach Drilling and Number of Platforms*: “Over the 1990s major advances in extended reach and non-vertical drilling have allowed for a single platform to extend its lateral reach up to 6 km. This has reduced the number of platforms needed to achieve full field development at Piltun Astokskoye and Lunsokoye fields to two and one respectively. This thereby results in a smaller footprint with consequent reduced environmental impact.”

[http://www.sakhalinenergy.ru/en/documents/doc\\_38\\_eia\\_1\\_chapter5.pdf](http://www.sakhalinenergy.ru/en/documents/doc_38_eia_1_chapter5.pdf)



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Moreover, the Site Selection report shows that the area proposed for the third platform is unsuitable due to an unstable clay seabed in the earthquake-prone area.

Sakhalin Energy now intends to move forward with plans for the third platform that it rejected ten years ago due to unacceptable risk.

The addition of a third platform significantly expands the Sakhalin II project, and thus alters the entire project scope and its associated environmental impacts. Therefore an entirely new round of approvals for Sakhalin II based on three platforms rather than two would be required.

*The undersigned NGOs request all activities related to the third platform be halted, including seismic surveys planned for summer 2011, until such point as full approvals, from both lenders and Russian Government authorities, are obtained for the full scope of the Sakhalin II project based on three platforms.*

### **This statement is signed by the following organizations:**

International Fund for Animal Welfare  
Pacific Environment  
Sakhalin Environment Watch  
WWF

**Greenpeace** has reviewed the NGO Statement of concern regarding the Sakhalin-2 oil and gas project 31<sup>st</sup> March 2011. Greenpeace is in full agreement with the need for a comprehensive EIA including the need to assess cumulative impacts for all such projects which may have detrimental effects on the local and global environment and fully support the request to halt all activities relating to the 3<sup>rd</sup> platform, including seismic surveys planned for summer 2011. The project poses a substantial threat to the critically endangered western population of Pacific gray whales and the risk of possibly driving this population to extinction is clearly unacceptable.

Furthermore, given the cumulative impacts of this project, including the emission of CO<sub>2</sub> from the oil produced, we believe that this third platform should not go ahead under any circumstances. In order to switch to a sustainable future and avoid high environmental risks, investment must switch from climate change inducing fossil fuels to proven, existing sources of renewable energy as set out in Greenpeace's Energy Revolution <http://www.greenpeace.org/international/en/campaigns/climate-change/energyrevolution>