

WHAT NGOS AND THE PUBLIC CAN DO?

The project will depend on funding from the European Bank for Reconstruction and Development and US and Japanese Export Credit Agencies. As these institutions are funded by taxpayers they are accountable to governments and to the public.



NGOs can organise various activities: from letter writing campaigns targeting these institutions or ministries that are responsible for them, to various actions either aimed at Shell, Mitsubishi and Mitsui or at the international financial institutions.



STOP SHELL RUINING SAKHALIN ISLAND



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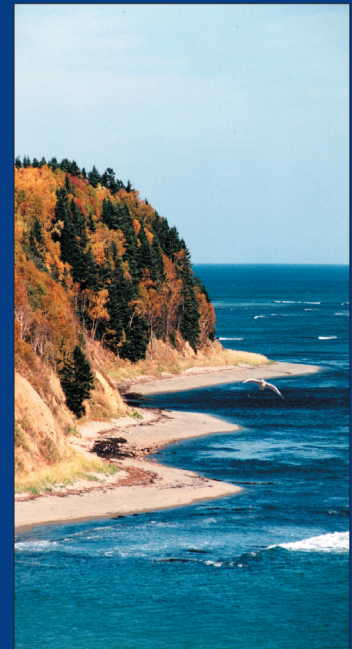
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STOP SHELL RUINING SAKHALIN ISLAND

Since 1994, Shell has been spearheading an oil and gas extraction project in Sakhalin Island, a far eastern Russian territory. This development will affect the world's last 100 or so Western Pacific grey whales; it will destroy the marine environment; and it will threaten the livelihood of tens of thousands of fishermen.

Now Shell, together with Mitsubishi and Mitsui, are planning to expand their environmental and social destruction of Sakhalin Island, with support from international financial institutions. They are planning to build two pipelines in one of the most seismic regions in the world. They will destroy the key salmon fishing area off the island by dumping one million tons of waste into the sea. Furthermore the permanent threat of a large oil spill in the Okhotsk and Japanese seas will be ensured by Shell's development.



COMPANY DESCRIPTION AND THE BRIEF HISTORY OF THE PROJECT

In 1994 Shell established the Sakhalin Energy Investment Company Ltd (based in Bermuda) in partnership with Mitsui and Mitsubishi. In the same year Shell and its partners, via Sakhalin Energy, signed a Production Sharing Agreement, which was apparently economically inconvenient for the Russian Federation. Moreover, this Production Sharing Agreement limits Russian Environmental Legislation that would be otherwise applicable to the project.



In 1998 Shell embarked on the construction of the first phase of the Sakhalin II project, with financial support coming from the European Bank for Reconstruction and Development (EBRD) and Japanese and US Export Credit Agencies. Not only was the Environmental Impact Assessment flawed, with the company refusing to respect Russian legislation and release environmental information, but since the construction of the platform there have been reports of a reduction in saffron cod fishing that is especially important for the island's indigenous communities.

Now the company is planning to expand its operation. There will be the construction of two new oil and gas platforms in the north of Sakhalin; the construction of two 800 km oil and gas pipelines running across the whole island; the construction of a Liquid Natural Gas production plant; and the construction of an oil and LNG terminal in Aniva Bay. The company is now negotiating with the EBRD, US Ex-Im Bank and the Japanese Bank for International Cooperation (JBIC) to get the loan for the second phase. As the company so far refuses to have any meaningful



dialogue with affected people about the need for changes in the project, there is increasing frustration across the island with many people calling for the project to be stopped completely.

MAIN PROJECT RISKS

Seismic risk of the project

The 800 km pipelines will run across a highly seismic zone (9 and 8 on the Richter scale). The pipeline will also cross 24 active seismic faults. The pipeline passes 40 km south of the oil worker city Neftegorsk that was totally destroyed during the 1995 earthquake. The planned pipelines will cross 1103 rivers and streams, many of which are spawning grounds for salmon, an important part of the island economy.



The Western Pacific gray whale

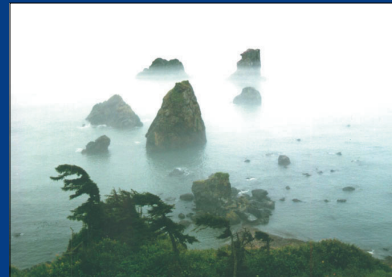
This whale species is recognised around the world as being critically endangered, with the last 100-110 whales remaining.



Even Japan, at the International Whaling Commission, supported the worldwide call to reduce man-made impacts on whale habitats. The most critical area for the survival of these whales is the feeding ground offshore of

northern Sakhalin. From May to November, the ice-free season, the whales spend time in this limited feeding area, building up enough fat to survive the winter migration.

In the last few years, life has taken a turn for the worse for these beautiful giants. The start-up impact of offshore oil construction, waste discharges, noise and increased traffic on the whales has been profound.



In 1999, scientists for the first time reported "skinny whales," or whales that were showing visible signs of malnourishment. By 2000, 27 skinny whales (more than a quarter of the population) had been identified. Skinny whales have continued to be sighted in 2001 and 2002. Scientists fear that continued and expanded oil drilling projects will stop any chance the whales have of recovering. Now Shell, Mitsubishi and Mitsui are planning to build four underwater oil and gas pipelines, and another oil platform.

Current as well as potential impact on the fishing industry



This has been the cause of a lot of opposition to the project in Sakhalin. The inhabitants of Sakhalin depend a great deal on fishing: either they work in

the fishing industry, or they are amateur fishermen who support their families through fishing. The export of salmon, as well as other fish and crabs, to Japan and other countries has huge potential for further development.

The current impacts are coming from the reckless discharging of drilling materials from the oil platform into the sea and reduction of fishing areas by the platform. However, the



second phase will bring new threats. There is the expected dumping of one million tons of soil into the middle of Aniva Bay, one of the key fishing locations in Sakhalin. The pipeline's construction will also damage spawning rivers and there is a large risk of oil spills from tankers that could affect not only Sakhalin fishing, but also Japanese and Korean fishing.