

The real story behind Shell's response to the supporters of the Sakhalin indigenous protesters follows.

Shell claims that its Sakhalin-II project will provide Russia with \$45 billion in revenues.

Shells' claim of financial benefit to Russia is misleading. An independent economic study of the Sakhalin II Production Sharing Agreement (PSA) by a leading energy economist documents that the contract will provide far fewer revenues to the Russian government than expected. (Read the http://www.pacificenvironment.org/infocenter/Reports/sakhalin_psa.htm) Sakhalin's indigenous peoples point out that the economic benefits are not helping them. Protest organizers wrote, "The indigenous peoples of Sakhalin, who practice a traditional subsistence economy based on fishing, hunting, reindeer herding and wild plant gathering, are bearing the brunt of the negative ecological impacts of the Sakhalin extraction projects."

Shell claims that "the island's 550,000 inhabitants are already benefiting from over \$300 million spent on improved bridges, roads, road drainage systems, telecommunications, hospitals, airport, railroads and ports."

Shell's claim of improvement to Sakhalin Island's infrastructure and job creation is also misleading. A report by the Korsakov-based community organization, "Knowledge is Strength," documents severe damage to the water, sewage, housing, medical and transportation infrastructure of Korsakov, located near the construction site of the Sakhalin II Liquid Natural Gas plant. The report also documents that compensation by the company and by the Russian government falls far short of what is needed to respond to this growing community crisis. (Read the http://www.eca-watch.org/problems/eu_russ/russia/LazebnikKorsakovLNG_04dec04.htm)

Shell claims that it ran a comprehensive and integrated assessment programme that addressed social and health issues in addition to the environment.

This claim by Shell is also misleading. Due to fundamental problems including inaccurate information, large gaps in information, methodological problems and faulty conclusions, the Sakhalin II Environmental and Social Impact Assessment has been deemed "unfit for purpose" (bank-speak for lousy) by the European Bank for Reconstruction and Development (EBRD). This is why Sakhalin's indigenous peoples stated, "We do not trust the Environment, Social and Health Impact Assessment which has been done by Sakhalin Energy with regard to Indigenous Peoples' issues."

Shell states that it "has a long history of engaging, supporting and working with local communities and the indigenous people on Sakhalin Island."

Indigenous peoples on Sakhalin attempted for years to work in good faith with Shell and Sakhalin Energy. They believed Shell's statements that it was interested in listening to indigenous peoples' concerns. However, the indigenous peoples have seen increased negative impacts to their livelihoods without seeing the promised benefits. This gap between promises and reality is what led indigenous peoples on Sakhalin to launch protests. Simply put, Shell's history of "engaging, supporting and working with local communities and the indigenous people on Sakhalin Island" has been a failure. Meanwhile, protest organizers wrote, "The absence of complete and reliable project information and the companies'

unwillingness to engage seriously in dialogue with indigenous peoples' organisations have forced the Association to prepare for direct action."

Shell claims that not all indigenous organisations supported the organizer's Memorandum of Demands or the protest.

Shell itself acknowledges that the protests were called for during the Fifth Congress of the Indigenous Peoples of the North of Sakhalin Region. Empowered by the Congress, most indigenous peoples on Sakhalin supported the protest. From January 20-24, 2005, over 200 members of Sakhalin Island's Nivkh, Uilta, Nanai and Evenk peoples endured minus 30 degree Celsius temperature to blockade the Sakhalin I and II projects. They protested these projects' impacts on their native fisheries, reindeer pastures and overall livelihoods.

It is true that the Sakhalin government - which did not support the protests - has started working with indigenous groups on Sakhalin Island that are not directly impacted by oil projects to create a puppet indigenous association that will be more malleable to government interests. This disingenuous "divide and conquer" approach ignores the real issues and real demands from the indigenous protests: to conduct an independent Cultural Impact Assessment, mitigate impacts, and create an independently managed compensation fund. Notably, Shell does not indicate in its response whether or not it will agree to these demands.

Shell writes, "Recognising the issues, SEIC has recently signed an agreement with the local government, other oil and gas operators and an IP[indigenous peoples'] representative, proposing the establishment of a tripartite forum to understand the concerns and look for ways to address them."

In an effort to prevent the protests, the Sakhalin government, Shell, and two indigenous individuals signed an agreement just prior to the protests. Sakhalin's indigenous peoples sharply criticized this agreement, as it did not address the specific demands put forward by the indigenous peoples, nor have endorsement by authorized indigenous leaders. They wrote, "This agreement can not be considered a basis for further relations between Sakhalin's indigenous peoples and the oil majors. The agreement lacks specific agreement features including the subject of the agreement, the obligations of the oil companies (for example, a long hoped for environmental and ethnological survey, and damage minimisation), and mechanisms and directions for cooperation." Indeed, it was Shell's dismissiveness of indigenous peoples' concerns - exemplified by signing an agreement that did not address the indigenous demands -- which led to the protest.

Shell writes that it is developing its own detailed Indigenous Peoples Plan.

One of the failings of the Sakhalin II project has been the lack of an indigenous people's plan. Yet, the Sakhalin II construction, with its dire impacts on indigenous peoples, is well underway. The fact that Shell is only now purporting to be developing an indigenous people's plan shows that this project is not being developed to the best standards. What Shell needs to do now is not just develop a "detailed Indigenous Peoples Plan" - it needs to agree to the reasonable and justified demands put forward by Sakhalin's indigenous peoples: to conduct an independent Cultural Impact Assessment, mitigate negative impacts, and create an independent compensation fund.