



*for a living planet*®

**WWF European Policy  
Office**  
36 Avenue de  
Tervuerenlaan  
Box 12  
1040 Brussels  
**BELGIUM**

Tel: +00 32 27438800  
Direct: +00 32 27438805  
Fax: +00 32 2 7438819  
TLong@wwfepo.org  
www.panda.org/epo

Commissioner Joaquin Almunia  
Member of the European Commission  
200 Rue de la Loi  
1049 Brussels

Brussels, 15 March 2006

### **Shell's Sakhalin II Project in Russia**

Dear Commissioner Almunia,

I am writing to you in your capacity as Governor of the European Bank for Reconstruction and Development (EBRD). You may be aware that a public consultation period is underway by the Bank on the above project open until the 20<sup>th</sup> April. It is on this point that I am writing to you on behalf of WWF International.

For the past four years, WWF, together with our coalition partners, has been fighting to save the Western Pacific Grey Whale from extinction, a critically endangered species with only 100 individuals left. The major threat to their survival is the largest integrated oil and gas development project on the planet, known as Sakhalin II. This vast project is likely to cause extensive negative impacts to the whales as well as key fisheries that provide the livelihood for many of the island's inhabitants.

The project is situated at Sakhalin Island in Russia's Far East, and is being developed by a consortium led by Shell involving Mitsubishi and Mitsui. It will consist of three offshore platforms, offshore and onshore pipelines, an onshore processing facility, a liquefied natural gas (LNG) facility and an oil and gas terminal.

The project will have severe environmental impacts, including threatening the critically endangered Western Pacific Grey Whale with extinction, damaging habitats of endangered birds and fish species notably salmon, and polluting important fisheries. The design falls short of international best practice, and its risk assessments are inadequate. As a result, the project risks having potentially catastrophic impacts, including oil spills. This risk is unacceptable given what is at stake.

With a capital project cost of \$20 billion, which includes a cost overrun of \$10 billion, Shell is seeking project finance from a group of export credit agencies and private banks led by the EBRD. Others include export credit agencies from the UK, Japan and the U.S. Credit Suisse, (an Equator Principle bank), is the financial advisor to Shell and is charged with forming the financial syndicate. With EBRD as the lead bank charged with conducting the most comprehensive due diligence, its decision to finance will be a critical measuring rod for the remaining banks to assess themselves against.

After 3 years of deliberating, EBRD decided to start its public consultation just before Christmas 2005. In May 2005, Jean Lemierre, President of EBRD, stated that the project was 'not fit for purpose' due to Shell's faulty analysis of the environmental and social impacts and its disregard for

President: HE Chief Emeka Anyaoku  
Director General: Mr James P. Leape  
President Emeritus:  
HRH The Duke of Edinburgh  
Founder President:  
HRH Prince Bernhard of the  
Netherlands

Registered as:  
WWF-World Wide Fund For Nature  
WWF-Fondo Mondiale per la Natura  
WWF-Fondo Mundial para la Naturaleza  
WWF-Fonds Mondial pour la Nature  
WWF-Welt Natur Fonds  
Also known as World Wildlife Fund



environmental considerations. Since Mr. Lemierre's statement, additional negative impacts have emerged that render the project even further out of compliance with EBRD policies.

Many of these violations are irreversible. EBRD's statement in December 2005 admitted that the project had breached its Environmental Policy. The Bank is currently considering whether to turn a blind-eye to this non-compliance. WWF believes it is not acceptable to compromise this policy on the basis of documents provided by Shell which bear no relation to what is happening on the ground. WWF and our coalition partners therefore do not believe that the project can ever meet EBRD policies. Please be aware that whatever EBRD's decision, WWF will continue to monitor and put pressure on Shell.

I am writing to you, therefore, to bring to your attention the following WWF and NGO coalition partner positions ahead of your Board meeting scheduled to discuss this loan.

- Shell must suspend the placement of the platform scheduled for the summer of 2007 pending results of next year's whale monitoring programme. This will provide further data on the status of the western pacific grey whale and any disruption to the population following the installation of the concrete base this past August. Scientific results will be due in the fall of 2006. A decision to locate the platform in its proposed location or an alternate location further off-shore should be made at that time.
- Shell must produce oil spill distribution models and diagrams for winter ice conditions and evidence of proven oil spill response techniques for these conditions. These must be proven technologies that have been used effectively in the field that cover all planned year-round activities.
- Shell must immediately suspend all construction activities for all river and tributary crossings pending an independent assessment involving the Wild Salmon Centre. Shell must abide by the findings of an assessment in adopting design and construction practices that will include suspension and horizontal crossing techniques.
- Shell will restore degraded rivers and tributaries in addition to compensating local communities for loss of any livelihood as a consequence of current practice.
- Shell will commit to constructing simultaneous parallel pipelines for both oil and gas. Such a requirement will avoid doubling the impact of pipeline construction.
- Shell will commit to shipping dredging waste from construction activities in Aniva Bay out of the bay to the open sea where it will not affect fisheries.

Thank you for considering the points raised in this letter. I am sending similar versions to Mr. Vassili Lelakis, Ms. Carole Garnier and Mr. Klaus Regling. I would be delighted to arrange a meeting for you with WWF colleagues if that would be useful.

Yours sincerely,

Tony Long  
Director, WWF European Policy Office

President: HE Chief Emeka Anyaoku  
Director General: Mr James P. Leape  
President Emeritus:  
HRH The Duke of Edinburgh  
Founder President:  
HRH Prince Bernhard of the  
Netherlands

Registered as:  
WWF-World Wide Fund For Nature  
WWF-Fondo Mondiale per la Natura  
WWF-Fondo Mundial para la Naturaleza  
WWF-Fonds Mondial pour la Nature  
WWF-Welt Natur Fonds  
Also known as World Wildlife Fund