



25 April 2006

Alistair Clark
European Bank for Reconstruction and Development
One Exchange Square
London EC2A 2JN
United Kingdom

Dear Alistair,

As part of the EBRD's public comment period on the Sakhalin 2 oil and gas project, the Wild Salmon Center would like to submit the following observations on the project. While Sakhalin Energy Investment Company (SEIC) has made improvements in its approach to pipeline construction, there are still numerous shortcomings in the company's river crossing strategy and other aspects of the project that could negatively impact fisheries. Unfortunately, we must conclude that the project fails to comply with EBRD's environmental policies.

To date the planning and execution of the project in general reflects a pattern and practice of doing the minimum required to gain approval or "get by," followed by rushed efforts to address concerns. EBRD should demand a more proactive, well-planned project for the largest integrated oil and gas project in the world. Specific concerns include:

- Serious problems with River Crossing Strategy
- Construction problems continue
- Inadequate fisheries monitoring plan
- Lack of measures to address poaching

Problems with River Crossing Strategy

As early as 2002, SEIC and presumably the EBRD were aware of significant shortcomings with SEIC's river crossing plans. A report from Royal Haskoning raised early warnings on lack of stakeholder input, limited river classification system, lack of design detail, inadequate monitoring plan, and concluded it was not possible to demonstrate impacts met the ALARP standard. Several years later, many of these issues have yet to be truly addressed.

In the fall 2005, following public demand for an independent expert review of SEIC's river crossing strategy and subsequent discussions with the Wild Salmon Center and our colleagues, the EBRD and its consultants engaged experts at the University of Birmingham to review pipeline issues. The reports prepared by Birmingham reveal numerous and significant problems with SEIC's strategy. Beyond this, the tone and content of the final Birmingham report indicate clearly that SEIC's revision of the river crossing strategy was being driven by factors other than ensuring safe and responsible pipeline construction and operation.

SEIC has stated that the final River Crossing Strategy document, posted on their website in December (just days following the final Birmingham report) fully addressed all the concerns raised by the Birmingham experts. In early 2006 the

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Wild Salmon Center engaged Accufacts, Inc. to review the final River Crossing Strategy. In addition to over 30 years experience in the oil and gas industry, Accufacts President Richard Kuprewicz has visited Sakhalin Island twice (2004 and 2005), where he had the opportunity to visit planned and active pipeline river crossing sites and meet with SEIC construction managers and technical staff to discuss pipeline issues.

As you can see from the attached report, Accufacts found a number of serious concerns about the river crossing strategy. Many of these concerns in fact reflect concerns raised by the Birmingham experts. Accufacts concerns include:

- River crossing strategy is unduly complicated;
- Inadequate sediment monitoring;
- No abort crossing alternative should a crossing cause undo damage;
- Proper maintenance and inspection of girth weld records must be provided;
- Plans to restrict poaching access along the pipeline right-of-way needs to be evaluated;
- Enhancements to the oil pipeline leak detection system are warranted;
- Pigging plans have not been adequately defined.

When taken together, significant concerns raised by experts from Royal Haskoning, the University of Birmingham and Accufacts, public comment and direct dialogue with the Wild Salmon Center and other NGOs, along with past and ongoing construction problems, paint a very grim picture for pipeline construction on Sakhalin. SEIC has clearly not taken adequate steps to integrate best practices or minimize and mitigate impacts from pipeline construction, as required by EBRD.

Construction problems continue

As part of the revised river crossing strategy, SEIC implemented a number of new measures for the 2005-2006 winter construction season, including an independent monitoring program and publication of bimonthly crossing reports and checklists for each river crossing. The Wild Salmon Center welcomes the attempt to increase monitoring and transparency in regard to river crossings. Unfortunately, the checklists published by SEIC raise serious questions about whether construction plans and monitoring are being effectively implemented.

The Wild Salmon Center reviewed a total of 98 checklists, and found the following disturbing statistics:

- | | |
|----------------------------------------------------------------------------|--------|
| • Turbidity measured correctly | 20/90* |
| • Total suspended solids sample taken
(measurement mentioned in report) | 50/90* |
| • Temporary erosion control measures in place | 57/98 |
| • Sufficient clean gravel present | 66/98 |
| • Spoil handling problems | 41/98 |
| • Violations of water protection zone
(e.g. fuel spills) | 16/98 |

*some rivers had no flow, so no measurements were taken

In addition, SEIC was required to build oil and gas pipeline crossings simultaneously, in order to minimize impacts. Despite this, the average time between oil and gas crossing construction is well over one hundred (100) days, and many were done in different seasons entirely.

In April 2006, Wild Salmon Center program assistant Nicole Portley skied 115 km along the pipeline route. Along the way she saw several problematic areas, including unchecked sediment flows in an unknown tributary of the Orkunyy River (approximately KP 6). Most troubling is the Plelyarna River crossing site. The gas pipeline crossing was built on January 24. The associated River Crossing Monitoring Checklist states that all temporary soil erosion control measures were installed, including silt fences and bank protection measures.

Unfortunately, the site inspection revealed a different picture. As the attached photos show, the silt fences on the bridge have already collapsed, there are no fences near the river banks, and river banks have not been stabilized to prevent erosion—they are instead exposed soil waiting to be carried downstream by snow melt and spring rains.

Based on communications with Dmitry Lisitsyn of Sakhalin Environment Watch, this is not an isolated situation. The Watch is in the process of documenting similar problems at other sites, and will continue this important public monitoring as the spring melt puts SEIC's river crossing strategy to the test. These persistent problems indicate clearly that the delay in construction called for by NGOs and then the University of Birmingham would have been warranted.

Inadequate fisheries monitoring plan

The project lacks a robust fisheries monitoring program to assess fisheries impacts and recovery following construction. During the construction period, SEIC is focusing all its attention on the one-time pulse of sediment released during actual river crossing construction. Even here, this work was only begun in 2006 and only actually completed on 22% of crossings (to date). While measuring this pulse is important, the pipeline right of way was cleared well in advance of the crossing construction, and in many cases these areas have been open work sites for several years. As photos from 2004-2005 revealed, spring snow melt is a significant source of sediment loading. SEIC has taken no steps to measure overall buildup of sediments downstream from crossing sites.

One of the most likely impacts to salmon from crossing construction is smothering of embryos due to sedimentation. If overall buildup of sediment is not being measured, it will be nearly impossible to even begin to assess impacts to fisheries from construction.

Publicly available information on SEIC's overall monitoring plan, along with summaries provided to the Wild Salmon Center, do not provide enough level of detail to properly assess the adequacy of these plans. The Wild Salmon Center and our colleagues are at the cutting edge of studying and identifying habitat needs for Pacific salmon, and monitoring the health of these ecosystems. We have staff capacity to thoroughly review detailed monitoring protocols and make recommendations to improve monitoring. Yet despite numerous requests, and statements from the company that they could share this information, SEIC has failed to provide this information. Without more details, we remain concerned that the Sakhalin 2 project will meet the environmental performance monitoring standards required by EBRD.

Lack of measures to address poaching

Safe and effective operation of transmission pipelines requires SEIC to maintain access to the pipeline right of way, block valves and other associated infrastructure. SEIC will maintain this access through use of existing roads, improvements to logging and similar roads, and construction of new access roads. New roads and road improvement will automatically lead to increased access by private citizens to rivers and natural areas.

Poaching of salmon for caviar is a critical problem on Sakhalin and throughout the Russian Far East. Without measures to limit or prevent access, the roads built and improved by SEIC to service the pipelines will increase poaching access and poaching in these areas. While SEIC cannot be held responsible for all poaching on Sakhalin, the issue of increased poaching access via SEIC infrastructure should be considered a direct environmental impact of the project. In fact, if unchecked and without an oil spill, impacts from poaching could over time become the most significant impact to fisheries from the project. Yet despite the fact that this issue has been raised before SEIC and the EBRD and other lenders since 2003, and while SEIC has cited third-party interference as a reason to bury the onshore pipeline, SEIC has not yet produced any plans to address poaching access.

In April 2006 SEIC provided the Wild Salmon Center access to the Pipeline Access Plan. The plan consists of approximately 15 pages of text and 50 pages of maps. While poaching is mentioned repeatedly in the document, there is absolutely no mention of measures to limit public access other than minimizing the number of new access roads. Regardless of the number and length of new roads, SEIC must maintain access to the vast majority of the pipeline right of way. Without restricted access, poaching will occur in these areas. There is no mention in the Plan of gates, security checkpoints, surveillance cameras or any measures to control and/or monitor access.

In the revised HSESAP documents posted on the SEIC website in December 2005, SEIC commits to developing an anti-poaching plan in 2006. They further commit specifically to engaging the Wild Salmon Center and nominated experts in the development of this plan. At a time when roads and pipelines have been and are being built and installed, it is very late to have not yet developed a plan to deal with one of the potentially most significant fisheries impacts of the project. The Wild Salmon Center nonetheless welcomes the chance to work with the company on this issue. Until a robust plan is developed, EBRD must consider that SEIC has not taken appropriate steps to mitigate these impacts.

Given the numerous violations of EBRD policies, and the fact that many of these violations are irreversible, EBRD should not finance the Sakhalin 2 project.

For the salmon,

A handwritten signature in blue ink, appearing to read "D. Martin", with a long horizontal stroke extending to the right.

Dave Martin, RFE Program Director

Plelyarna River crossing
April 3, 2006



Unknown tributary of the Orkunyy River
April 4, 2006

