

P-2199/06EN

Answer given by Mr Almunia
on behalf of the Commission
(15.6.2006)

Sakhalin II is indeed a highly significant and sensitive project. The European Bank for Reconstruction and Development (EBRD), which has been involved in discussions concerning the project for more than three years, has devoted extensive resources to due diligence and negotiations with Sakhalin Energy, with a view to providing the Board with sufficient information on which it can base a decision on whether the Bank should finance the project or not. This process, to which both Management and the Board attach great importance, has not yet reached its conclusion.

There are indeed environmental challenges related to this project and the EBRD has been instrumental in promoting solutions to these challenges: one of many examples concerns the question of the western grey whale, where the Bank insisted that a panel of reputable scientific experts (including representatives of non-governmental organisations (NGOs)) should be established to monitor the situation of the whales and propose measures that would mitigate potential adverse impacts of the project. The company has implemented these measures and the latest findings of the panel have been largely positive. The Bank has also been firm in demanding improvements to the performance of the Company elsewhere, for example in the difficult area of river crossings. It is worth noting that the EBRD's leverage in achieving environmental improvements depends upon the client seeing a reasonable likelihood of receiving finance from the Bank.

It seems clear that the EBRD has exercised leverage with Sakhalin Energy in improving the environmental standards of the project, but the Bank has yet to make a full assessment of the progress the company has made in implementing its commitments effectively. Moreover, the Bank has consulted widely, holding a series of public meetings including in Sakhalin itself, and inviting comments during a 120 day period of consultation through its website. This period of public consultation has recently ended and the Bank is currently analysing the results. There was a further opportunity for Directors to speak with NGOs at the EBRD Annual Meeting on Sunday 21 May 2006. These elements, along with the assessments of the company's performance against its commitments, should now be drawn together and put to Directors for their consideration and eventual decision.

The EC Chair, in consultation with the other EU Chairs, will make its decision on whether or not to support financing of this project by the EBRD, taking full account of the results of the public consultation and the company's delivery on its commitments. The EC Chair will also pay due regard to the wider implications of its decision for the promotion of high environmental standards in such future projects, and for the role and reputation of the EBRD as a provider of finance and as a robust promoter of environmental standards in this challenging sector.