

September 20, 2004

The Lord Oxburgh
Chairman
Shell Transport and Trading Company, plc.
Shell Centre
London SE1 7NA
United Kingdom

RE: DEMAND FOR MORATORIUM ON SAKHALIN II MARINE ACTIVITY

Dear Lord Oxburgh,

We, the undersigned local, national and international civil society organizations are outraged at Royal Dutch/Shell's oil spill at Kholmsk, Sakhalin Island, which took place September 8th, 2004. The Cristoforo Colombo spill of approximately 1,300 barrels of fuel oil is the latest example of Royal Dutch/Shell's failure to fulfill promises to protect Sakhalin's environment. We demand that Royal Dutch/Shell declare a moratorium on any marine activity associated with the Sakhalin II project until it implements an internationally-accepted Oil Spill Prevention and Response Plan (OSPRP) covering all operations. This includes a moratorium on all marine transport operations of its operating company, Sakhalin Energy, and all subcontractors for the Sakhalin-II project. We also demand the immediate cessation of oil transfer into tankers from the Molikpaq off-shore oil platform, to avoid a similar accident. Given the current status of its OSPRP and the Colombo incident, Sakhalin Energy has clearly demonstrated its inability to respond to even a small spill.

Since the start of operations, Sakhalin Energy has guaranteed the implementation of effective oil spill response plans in the unfortunate event of a major spill. With the Colombo spill, we seen these are empty gestures. Sakhalin Energy's existing OSPRP was not implemented for this Category 2 spill. Royal Dutch/Shell had no plan to respond to the spill and its oil spill response contractors began developing a plan only upon arrival at the Kholmsk scene. As you well know, once oil has entered the water, it is already too late to begin developing a response plan. At Sakhalin, Royal Dutch/Shell's lack of an adequate OSPRP has demonstrated that it is not abiding by internationally-accepted standards for oil development.

Environmental organizations and oil spill experts urged Royal Dutch/Shell to upgrade its Sakhalin II OSPRP for years before the Colombo spill. In 1999 independent experts from Alaska and the Shetland Islands issued a report on the risk of oil spills associated with the first phase of Sakhalin II entitled *Sakhalin's Oil: Doing It Right*.¹ The report recommended seventy-eight specific measures, including many that are germane in this context. These recommendations were based on the knowledge that harsh weather conditions, such as the typhoon that beached the Cristoforo Colombo, are not the exception but the norm for the island. Royal Dutch/Shell declares that it is "adhering to high international standards and best practice."² However, to date it has not acted on the majority of these recommendations, and now it has the Colombo spill to show for it.

¹ *Sakhalin's Oil, Doing it Right, Applying Global Standards to Public Participation, Environmental Monitoring, Oil Spill Prevention & Response, and Liability Standards in the Sakhalin Oblast of the Russian Federation*, Lawn, Steiner & Wills, Pacific Environment, 1999

² See http://www.sakhalinenergy.com/environment/env_spill.asp

By most accounts, Royal Dutch/Shell's and Sakhalin Energy's response to the Colombo spill was a miserable failure. Despite earlier claims by Sakhalin Energy that its contractor for oil spill emergency response, EcoShelf, operates twenty-four hours a day,³ it took nine hours for EcoShelf to arrive and conduct visual observation and more than 48 hours to transport necessary equipment to the site. According to Russian regulations, Royal Dutch/Shell should have localized the spill with equipment within four hours. Ecosshelf's equipment, transportation, and specialists were located 600 kilometers away from the site of the spill. As a result, Ecosshelf failed to localize the spill and a large oil sheen was released from the harbor into the Tatar Strait. Making matters worse, more fuel leaked from the Cristoforo Colombo reportedly on September 12th, long after Ecosshelf's arrival.⁴ Without a doubt, Ecosshelf should have had sufficient control of the situation at that point to prevent further spillage.

The Colombo spill and ensuing delayed containment response coated six kilometers of shoreline, including a popular public beach, with toxic oil. Dozens of Kholmsk residents have gone to hospitals with headaches and respiratory problems. Citizens in Kholmsk and Yuzhno-Sakhalinsk have demonstrated against the damage to the environment and public health caused by Sakhalin Energy and Royal Dutch/Shell. Sakhalin's Environmental Prosecutor has initiated a criminal case based on pollution from the Colombo spill to the marine environment.

On September 10th, 2004, Sakhalin Governor Ivan Malakhov called publicly for a unified oil spill response plan for Sakhalin I and II operations.⁵ Despite the fact that comprehensive marine activities are underway on Sakhalin II, Royal Dutch/Shell does not have an internationally-accepted oil spill response plan for Phase 2.

Every internationally-accepted OSPRP demands a predetermined and approved hazardous waste disposal site to receive waste—this site does not exist on Sakhalin. According to the international EIA, Volume Four, Chapter Three, Pipeline Transportation System, Gas Disposition Terminal, and Booster Station, Section 3.4, *On Solid Waste Management*:

“[T]he existing local and regional infrastructure is insufficient to accept and store the projected amounts of solid waste associated with pipeline construction, and SEIC will therefore undertake to upgrade such facilities to an appropriate standard. Given that construction is scheduled to commence in 2003, the management of solid wastes remains one of the main vulnerabilities associated with the project....”

Where will Royal Dutch/Shell dispose of the oil cleaned from Kholmsk beaches? In 2003, European Bank for Reconstruction and Development deemed the Sakhalin II EIA “unfit for purpose” in part due to the absence of an internationally-accepted OSPRP and an adequate solid waste facility.

It is astounding that Royal Dutch/Shell does not complete an internationally acceptable oil spill response plan prior to every operation it undertakes worldwide. It is shocking that Royal Dutch/Shell does not ensure that it and its subcontractors implement even the minimal, inadequate plans currently in place.

³ According to a March 31, 2004 correspondence between EBRD's Environment Department and Sakhalin Environment Watch, SEIC “confirms” that EcoShelf and SakhBASU have response capability 24 hours a day.

⁴ “Fresh Oil Reported from Grounded Dredger off Russian Far East Port,” BBC Monitoring International Reports, September 12, 2004.

⁵ “Sakhalin Authorities Set to Fight Oil Spills,” RIA Novosti, September 11, 2004.

To achieve an internationally acceptable plan, Royal Dutch/Shell must:

- Using the recommendations in the *Sakhalin's Oil: Doing It Right*, develop and demonstrate implementation of a full OSPRP covering all operations planned under Phase 1 and 2 of Sakhalin II;
- In cooperation with international finance institutions and international environmental organizations, establish an independent expert panel to evaluate and recommend measures for an internationally-accepted OSPRP, as has been done with the IUCN-organized Western Gray Whale panel;
- Gain OSPRP approval by project financiers, an independent panel, international environmental organizations, and the Sakhalin government before recommencing marine operations.

The Colombo oil spill serves as a harbinger of a greater disaster—Royal Dutch/Shell must take decisive corrective action and do so immediately. As respected and responsible leaders of Royal Dutch/Shell and Sakhalin Energy, you must use the Cristoforo Colombo spill as an opportunity to place a temporary moratorium on Sakhalin II marine activities before further damage to Sakhalin Island, this costly project, and your reputation.

We are confident that you and Royal Dutch/Shell will demonstrate your mutual commitment to best international standards and only undertake marine operations on Sakhalin after an internationally-accepted OSPRP is in place.

Sincerely,

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