**To**: The President and Executive Directors of the EBRD
**CC**: Hildegard Gacek, Managing Director, Southern and Eastern Mediterranean (SEMED);Marie-Alexandra Veilleux, Director Tunisia; Riccardo Puliti, Energy Director; Biljana Radonjic Ker-Lindsay**,** Head of Civil Society Engagement Unit; Luisa Balbi, Civil Society Adviser

2 July, 2013

**Subject: EBRD support to the Serinus Energy project in Tunisia**

Dear President Chakrabarti and Executive Directors of the EBRD,

We are writing to you to express our serious concerns regarding the USD 60 million loan to Serinus Energy being currently considered by the EBRD.

Given the range of evidence indicating that the Serinus project involves the exploitation of shale gas, the project assessment and its categorization as a category B project are gravely inadequate. Besides, the additionality of the EBRD is questionable, notably considering the ultimate beneficiary of the loan is Kulczyk Oil Venture, a transnational company that doubled its net earnings in the first quarter of 2013[1]. Finally, the consistence of the project with the EBRD priorities in Tunisia, and its benefits for the country (employment, tax revenues, development of the local private sector) are highly dubious.

1 http://www.upstreamonline.com/live/article1326883.ece

**Therefore, we urge you to reject the loan at the next Board meeting on 9th July, or at minimum to delay your decision until the nature and impacts of the Serinus Energy project and the additionality of the EBRD are seriously and thoroughly assessed and that all our questions are answered.**

## On the shale gas component of the project and the project categorization

Serinus Energy Inc. results from the reorganization of Kulczyk Oil Ventures Inc (KOV) following the completion of its acquisition of Winstar Resources Limited (Winstar), a Canadian company that owns the Chouech Essaida, Ech Chouech, Sanrhar and Sabria concessions to be financed by the project.

It just so happens that Winstar has been evaluating the shale gas potential of these exact four concessions covered by the EBRD loan. The 2012 NuTech Energy Alliance report estimated they had „*Technically Recoverable Shale Gas Resources of 808 million boes (barrels of oil equivalent) or 4.8 trillion cubic feet of natural gas*.“[2].

After Winstar indentified the shale gas potential of its Tunisian concession, the company was acquired by Kulczyk Oil Venture, which has experience of shale gas exploitation in Ukraine[3]

A KOV presentation on Winstar acquisition from April 2013 mentioned among the primary benefits for the shareholders the "*Near - term Tunisian development program of drilling new wells, work-overs, dual completions, frac stimulation and horizontal wells to drive production increases*", which is "*similar to development program undertaken following KUB-Gas LLC acquisition*"[4]. The development programme undertaken following KUB-Gas LLC acquisition was fracking[5].

**The forward plan for the Sabria concession clearly mentions frac simulation, and possible horizontal wells for Chouech Essaida and Ech Chouech[6]. In concessions where shale gas resources were identified, it is likely that horizontal wells are a prelude to fracking. Even if the EBRD team believes the loan will not be allocated to the shale gas component of the project, the existence of fracking within the boundary of the project changes its nature.**

The exploitation of shale gas requires massive amounts of water and chemicals and could have disastrous consequences in a country that faces serious water scarcity such as Tunisia[7]. Besides, the type of shale identified in the concession is 'hot shale' which means that the rock is radioactive. Radioactive particles mix into the fracking fluid and drilling mud, and are brought to the surface. Finally, the concession of Sabria is located in the south edge of Chott el Jerid, a very sensitive area considered as the unique hydrological potential of the region, with important fauna and flora (notably pink flamingos). The site was submitted to be on the UNESCO World Heritage List[8]. Developing fracking in Sabria could irreversibly damage the area.

The terms of the PSD themselves raises serious concerns:"*A number of environmental improvements are required with regard to the treatment and recycling of drilling mud; disposal of produced water and efficient use of water resources. Existing emergency planning arrangements will need to be critically reviewed to include potential risks from social unrest and a threat of terrorism*."[9]

In this context, the categorization as a B project, the brief PSD and an ongoing – so not even completed – environmental and social due diligence ("ESDD") are far from being sufficient to properly assess its potential impacts and allow a proper consultation of the shareholders, notably Tunisian CSOs.

---

2 http://www.ogj.com/articles/2012/09/winstar-sees-gas-potential-in-tunisian-hot-shale.html, or http://www.newswire.ca/en/story/1033895/winstar-updates-strategic-alternative-process-and-operations or http://www.naturalgasasia.com/canadas-winstar-resources-estimates-tunisia-shale-potential
3 http://www.platts.com/RSSFeedDetailedNews/RSSFeed/NaturalGas/8538924
4 http://www.winstar.ca/documents/2013/2013-04-24-Project%20Angler-AcquisitionPresentation.pdf
5 http://www.naturalgaseurope.com/kulczyk-oil-ventures-increases-ukrainian-production-following-frack-4849
6 http://www.winstar.ca/documents/2013/2013-04-24-Project%20Angler-AcquisitionPresentation.pdf
7 http://www.unep.org/dewa/vitalwater/article69.html
8 http://whc.unesco.org/en/tentativelists/5385/
9 http://www.ebrd.com/pages/project/psd/2013/44744.shtml

Shale gas exploitation has been fiercely opposed by civil society movements in Tunisia[10]. If the EBRD wants to consider its involvement in a project of that nature, it must take into account that context and at minimum secure a model assessment of the project.

**For these reasons, the project should be classified as a category A, i.e. recognized as a project that could result in significant environmental and/or social impacts and the EBRD cannot consider the loan before a proper Environmental and Social Impact Assessment (ESIA) process including a consultation of the stakeholders has been undertaken.**

## On the additionality of the EBRD

In the PSD, it is argued that the project will support transition by "*supporting further development of a small private independent company in Tunisia*", and Serinus is presented as a "*medium sized oil and gas company*".

Such language suggests that the EBRD is supporting a SME. In reality, Serinus Energy is the new name of Kulczyk Oil after its $110 million acquisition of Winstar[11]. Kulczyk Oil is a subsidiary of Kulczyk Investment, an international company based in Luxembourg and founded by Jan Kulczyk, the richest citizen of Poland. Kulczyk Oil Venture doubled its net earnings in the first quarter 2013[12].

It is legitimate to wonder why this company needs the support of a public bank instead of borrowing on the private market. In addition, energy is by far the sector that attracts most foreign direct investments in Tunisia[13] so it is difficult to understand why it should benefit from the support of a public institution.
Finally, as explained above, the environmental and social evaluation of the project by the EBRD appears to have been extremely weak compared to the scale of the potential impacts, so it is difficult to argue the Bank brought sufficient value added on these aspects.

## On the benefits for Tunisia and the coherence with EBRD priorities

ETAP has shares in the Sabria concession only. The revenues for the state-owned company will thus be limited.

In term of fiscal revenues, the *Winstar Corporate Strategic Alternatives Process*[14] emphasizes the "*highly attractive fiscal terms*" in Tunisia. And in certain concessions, Winstar Estimated Effective Tax Rate for 2012 is 0%[15]. It suggests that the tax revenues for Tunisia will be limited, whereas they are essential to develop social services and infrastructure in the country.

The EBRD does not provide indications on the impacts of the project in term of job creation either, whereas employment is a major issue in the country. The Sanhrar, Chouech Essaida and Ech Chouech Concessions were affected by labour disputes in early 2013, and still the EBRD does not provide any detailed information on how to manage that sensitive aspect.

Finally, the project is a fossil fuel project, whereas the Bank claims to be prioritizing renewable energy in the SEMED region. Its support to an oil and gas project in Tunisia, which is one of few sectors that do not have difficulty in attracting investment, is seriously undermining this claim and the reputation of the Bank.

---

10 http://directinfo.webmanagercenter.com/2012/11/07/manifestation-contre-le-gaz-de-schiste-a-tunis-photos/ or http://www.infosud.org/Le-gaz-de-schiste-enflamme-Tunis,10291 or http://www.tunisienumerique.com/tunisie-manifestation-devant-lanc-contre-lextraction-du-gaz-de-schiste/148895
11 http://www.upstreamonline.com/live/article1330758.ece
12 http://www.upstreamonline.com/live/article1326883.ece
13 http://www.investintunisia.tn/site/en/article.php?id_article=841
14 http://firstenergy.com/UserFiles/File/Winstar_Flyer.pdf
15 http://firstenergy.com/UserFiles/File/Winstar_Flyer.pdf

**In conclusion, we urge you to reject the loan at the next Board meeting on 9th July, or to postpone your decision, classify the project as a category A, and undertake a proper assessment of its impacts with in depth consultations of the stakeholders.**

We look forward to hearing from you at your earliest convenience and we count on your utmost attention to the project.

Yours sincerely,

ACET (Auditons les créances européennes envers la Tunisie), Tunisia
DOUSTOURNA, Tunisia
TOUENSA, Tunisia
NOMAD08, Tunisia
ATTF (Association Tunisienne de Transparence Financière), Tunisia
FTDES (Forum Tunisien des Droits Economiques et Sociaux), Tunisia
OTE (Observatoire Tunisien de l'Economie), Tunisia
Younga Solidaire, Tunisia
Eco-Conscience, Tunisia
ANND (Arab NGO Network for Development)
CEE Bankwatch Network
Counter Balance: challenging the European Investment Bank
Friends of the Earth Europe
Platform, United Kingdom
Both Ends, Netherlands
Urgewald, Germany
Re:Common, Italy
ODG (Observatorio de la Deuda en la Globalización), Spain
AITEC-IPAM, France
ATTAC, France