

Mr. Kevin Bortz  
Director, Natural Resources  
European Bank for Reconstruction and Development  
One Exchange Square  
London EC2A 2JN  
United Kingdom

May 15, 2008

Dear Mr. Bortz:

Thank you for your response of March 10, 2008, to our letter regarding the EBRD's planned investment at the Bautino II project in Kazakhstan. Bautino II continues to cause concerns among environmental organizations monitoring development of the enormous Kashagan Field and the EBRD's investments in the Caspian region.

In your March 10, 2008 letter, you state that the parameters of EBRD due diligence on the Bautino II project "have not covered the development of offshore oil extraction in the Northern Caspian Sea because such development is not funded by EBRD; its existence does not depend on the Bautino project; and its goods and services are not essential for the successful operation of the Bautino project."

On the EBRD's website, the Bautino II project description states, "The Project entails the construction of a vessel maintenance facility at the Bautino Atash Marine and Supply Base (under construction and financed by EBRD). The facility will primarily serve vessels engaged in oil & gas exploration. This infrastructure would provide much needed support to the off-shore oil and gas development in the North Caspian Sea and constitutes the first of its kind on the Kazakh coast." <http://www.ebrd.com/projects/psd/psd2008/38662.htm> This statement indicates a more direct correlation between the two projects than your letter suggests. It seems fair to say that if there were no Kashagan oil field development, there would be no need for the Bautino Port.

The Bautino Atash Marine and Supply Base provides critical support to the offshore construction and future extraction by the international consortium of oil companies that signed the Northern Caspian Production Sharing Agreement. Because it is financing the development of the Bautino port and related infrastructure, the EBRD shares responsibility for the impacts that these operating facilities already have on the Caspian Sea, environment and people living in the region.

As we stated in previous communication with the EBRD, the treatment of oily waters and waste at the Koshanai facility leads to the emissions of the same toxins contained in the oil to be extracted from the offshore fields, and the same problems associated with safe storage of sulfur that are of concern at the Bolashak-Karabatan facility. Local communities in Atash and Bautino, as well as the population of Aktau, (approximately 175,000) will bear the impacts of emissions of sulfates and mercaptans and of sulfur storage in the area.

Among environmentalists' concerns about the Bautino Atash Marine and Supply Base are reports of airborne emissions from the Base, which may be toxic. The fact-finding mission conducted in September 2007 by a group of international and Kazakhstani environmentalists concluded that airborne emissions might be causing environmental health concerns in the region.

According to residents interviewed by CSO representatives who participated in the 2007 fact-finding mission, since construction began at the Bautino port and the Koshanai facility has been in place, local residents in Fort Shevchenko have experienced headaches and nose bleeds. Children are suffering from anemia, and local residents associate all of these symptoms with the frequent bad odors from the Koshanai facility, which are most noticeable at night.

In and around Bautino, villagers gave testimony that they suffer from diarrhea caused by fish consumption and that their children suffer from skin diseases, which worsened after they swam in the Bautino Bay. Villagers are alarmed and no longer swim in the Bay.

EBRD policy states, "...where significant environmental issues have been raised, or where the affected public is particularly interested, the EBRD will encourage or require project sponsors to commit to ongoing information and communication programs. For example, the Bank may require the results of ongoing environmental monitoring to be made available to the public." In accordance with this policy statement, we request that the EBRD proactively provide the results of air monitoring conducted in keeping with institutional standards in the area around the Bautino Base. This would demonstrate a good faith effort by the EBRD to ensure the public that due diligence is being conducted in relation to the project.

EBRD policy for category B projects also states, "...the project sponsors must notify the affected public about the relevant environmental issues." We urge your institution to publicly release the full Action Plan detailing mitigation measures of project impacts prepared by Caspian Services Inc. and adopted by EBRD. Further, we urge you to use your equity to demand that Caspian Services Inc. release to the public all the information gathered by the systematic monitoring and reporting on the environmental and health and safety impacts required by EBRD to ensure compliance with Kazakh and EU environmental standards.

In March 2008, the Kazakhstani Supreme Court ruled, in a precedent setting case, that statistical information on environmental emissions from the Karachaganak Oil and Gas Condensate Field, which had been requested from the Department of Statistics of Western Kazakhstan Oblast by the environmental organization, Green Salvation, must be made public. The Department of Statistics, when it received a request for the data, had informed Green Salvation that the information was proprietary. However, the Supreme Court ruled that the public has a right to environmental data because Kazakhstan is a signatory to the Aarhus Convention. This is the first time the Supreme Court cited the

Aarhus Convention as obligatory. (See Attachment 1, Press release on the Supreme Court decision.)

The Aarhus Convention does, as you state, apply to governments. However, the EBRD, as a European Bank with European states as members, should abide by the highest international standards and comply with the terms of the Aarhus Convention by making available to the public environmental monitoring data regarding emissions from the Bautino Atash Marine and Supply Base. According to EBRD 2003 Environmental Policy, Point 11, the “EBRD will...support the spirit, purpose and ultimate goals of the UNECE Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters...” Furthermore, the EBRD is obliged to follow the laws of the countries in which it operates. The Aarhus Convention sets the standard for access to information in the Republic of Kazakhstan.

EBRD’s 2003 Environmental Policy, Point 11 also states, the “EBRD will...support the spirit, purpose and ultimate goals of... the UNECE Convention on Environmental Impact Assessment in a Transboundary Context.” An accident at Kashagan is highly likely to impact the environment and public not only in Kazakhstan, but also in the Russian Federation. We urge the EBRD to include transboundary considerations in all environmental impact assessments conducted in relation to Kashagan and those investments that support the development of the Kashagan Field.

In your March 10, 2008 letter, you state that you “are requiring an audit of the previous project.” Will the results of the audit be made publicly available? We believe it would be in keeping with the EBRD’s policy of operating in a transparent manner to have the audit available to the public on your website. We also request that no final decision be made on financing of Bautino II until the results of the audit have been presented to the Board of Directors of the EBRD. Your website states that the decision will be made on June 17, 2008. However, no further project summary documents are yet available, including the environmental and social action plan you mention in your letter. Can you please provide a timeline of when these documents will become available to the public?

We urge the EBRD Board of Directors to consider the demands of the two reports published by international NGOs, and to support the request for a complete independent scientific assessment of impacts of offshore operations and onshore facilities being developed in the Northern Caspian Sea.

We urge the Board of Directors to demand further investigation by the EBRD management into the environmental, health and social impacts of Bautino I and II not as isolated projects, but as part of the comprehensive offshore operations in the Caspian Sea. We ask you to refrain from consideration of further financing of infrastructures related to the development of offshore oil extraction in the Northern Caspian Sea until such a comprehensive and independent assessment of the impacts on the Caspian Sea and health and safety of the local communities is undertaken, and all concerns expressed by local communities and NGOs have been seriously considered.

We look forward to hearing from you, and to receiving additional information about the emissions at Bautino; the Project Summary Documents, including the Environmental and Social Action Plan; the full action plan prepared by Caspian Services, Inc., and an independent scientific assessment of the full impacts of the on- and offshore facilities being developed in the Northern Caspian Sea in support of the Kashagan Field. We remain concerned about the EBRD's ongoing support of the Kashagan field, which continues to be economically and ecologically unsound.

Sincerely,

Kate Watters, Crude Accountability, USA  
Elena Gerebizza, CRBM, Italy  
Manana Kochladze, Green Alternative, Georgia  
Nick Hildyard, The Corner House, UK  
Svetlana Spatar, Green Salvation, Kazakhstan  
Chad Dobson, Bank Information Center, USA  
Mika Minio-Paluello, PLATFORM, UK  
Andrey Aranbaev, Environmental Club CATENA, Turkmenistan  
Andrey Rudomakha, Environmental Watch on the North Caucasus, Russia  
Galina Chernova, Globus, Kazakhstan  
Ibragim Domuladzhanov, For a Clean Fergana, Uzbekistan  
Olga Pitsunova, Counterpart for Development Association, Russia  
Andrey Pinchuk, Center for Assistance to Environmental Initiatives, Russia  
Huub Scheele, Both ENDS, Netherlands  
Yann Louvel, Les Amis de la Terre, France  
Darek Urbaniak, Friends of the Earth Europe

## Attachment I

Press Release

April 9, 2008  
For Immediate Release

Contact:  
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Kazakh Environmentalists Win Access To Emissions Data at Karachaganak

Astana, KZ

On March 26, 2008, Kazakhstan's Supreme Court ruled in favor of the environmental nonprofit, Green Salvation, in a precedent setting lawsuit seeking access to environmental information about atmospheric emissions at the Karachaganak Oil and Gas Condensate Field in western Kazakhstan. For the first time in its history, the Kazakhstan Supreme Court considered the terms of the "Aarhus Convention on Access to Information, Public Participation in Decision-making and Access to Justice in Environmental Matters" as mandatory in its ruling.

In 2007, on behalf of the residents of the village of Berezovka, which is located only five kilometers from the Karachaganak Oil and Gas Condensate Field, Green Salvation requested information about emissions levels at the field from 2000-2006 from the Statistics Department of Western Kazakhstan Oblast. The Department refused to provide the information, claiming corporate confidentiality. Green Salvation sued the Statistics Department in the Specialized Interregional Economic Court of Western Kazakhstan Oblast and lost. It then took the case to Kazakhstan's Supreme Court, which ruled in favor of Green Salvation and demanded that the Statistics Department provide the nonprofit with all the requested information. According to Kazakhstani law in order to comply with the court's decision, the Statistics Department has two months to provide the information to Green Salvation.

In this precedent setting ruling, the Supreme Court states that the Statistics Departments violated national law and the Aarhus Convention by refusing to provide the requested environmental information to Green Salvation and the residents of Berezovka. The ruling states that there was nothing confidential about the information and that according to the

provisions of national law and the Aarhus Convention, the public has a right to all the environmental information requested. In its decision, the Supreme Court stated, “the refusal of the statistics organs in providing information on emissions into the atmosphere contradicts the standards of the international agreement.”

“This is a really important decision because before this, our court system did not want to recognize the obligatory character of the Aarhus Convention,” stated Sergey Solyanik of Green Salvation.

The Karachaganak Oil and Gas Condensate Field is one of the largest petroleum fields in the Caspian region, and the level of pollution around the field has increased significantly since the international consortium, Karachaganak Petroleum Operating, B.V. (British Gas, ENI, Chevron and LUKoil) became the operator in 1997. Toxic emissions from the field are endangering surrounding communities, most notably, the village of Berezovka, which has been seeking relocation to a safe location since 2002.

For more information about the efforts being undertaken by the citizens of Berezovka to hold accountable the government of Kazakhstan, Karachaganak Petroleum Operating B.V. and its financiers, please visit [www.greensalvation.org](http://www.greensalvation.org) and [www.crudeaccountability.org](http://www.crudeaccountability.org). For more information about the Aarhus Convention, please visit [www.unece.org/env/pp/](http://www.unece.org/env/pp/).