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Work on Kashagan May Be Halted According to the Minister of Environmental Protection

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Development of the Kashagan Field may be halted due to violations of environmental protection legislation by the project operator—the Agip KCO consortium. The Republic of Kazakhstan’s Minister of Environmental Protection, Nurlan Iskakov, made the announcement today at a government meeting.

“Work at Kashagan may be halted in general. We are now conducting an audit. We have all the grounds to believe that the operator is not complying with the requirements of environmental legislation,” stated the Minister. Iskakov added, “We have informed the General Public Prosecutor about this; furthermore considering the earlier lack of compliance with its obligations, we are obliged under the law to recall the [consortium’s] license as further implementation of the project will cause irreversible environmental damage.”

Iskakov also reported that “corresponding materials will be sent today to the Ministry of Energy and Mineral Resources, which is the body authorized to make decisions on the suspension of operations”.

For his part, the Minister of the Economy and Budget Planning, Bakhyt Sultanov stated that “in connection with the threat of postponement of the beginning of extraction at Kashagan, a significant shortage of payments to the National Fund is possible.” As a result, Kazakhstan’s Prime Minister, Karim Masimov, instructed the Ministry of Energy and Mineral Resources “to figure out and adopt measures in accordance with the legislation of the Republic of Kazakhstan this very day”.

The Ministry of Environmental Protection made a public statement today on the results of the process to verify whether Agip KCO’s activities comply with the requirements

of environmental protection legislation. According to the statement, "As a result of this verification process, it has been revealed that systematic violations of the normative requirements of the Republic of Kazakhstan's environmental protection legislation have occurred in the course of oil operations in the contract territory."

[Kazakhstan Today Note: From this point on, the text was added after the initial publication of the article.]

According to information from the environmental protection department, among the fundamental violations are the following: non-compliance with the licensing conditions for natural resource use; systematically exceeding norms for emissions and dumping, and placing an excess of industrial and consumption wastes into the environment over the course of a number of years; a lack of implementation of the conditions of the state environmental assessment issued earlier for the "Experimental-Industrial Development (EID) Project for the Kashagan Field". Furthermore, the verification process revealed that "plans to resolve the problem of the environmentally sound utilization of sulfur were not developed at the exploratory phase; there is unsanctioned flaring of waste in the sea; there is as of yet no detailed report on the harmful impact of oil operations on the Caspian Sea's fish reserves, as should have been prepared as a condition of the contract; and there is a lack of control over contracting organizations, leading to consistent violations by these organizations of the Republic of Kazakhstan's environmental protection legislation."

The public statement [by the Ministry of Environmental Protection] also indicates that the "verification of the company's offshore objects revealed that nitrogen compounds are registering in the atmosphere of the Caspian Sea at levels exceeding norms. In the opinion of the Ministry of Agriculture's Fishing Committee, at this time a connection cannot be ruled out between Agip KCO's activities in the contract territory and the sharp decline in the sturgeon population and the increase in the mass die-off of Caspian Seals and valuable types of fish."

The public statement further emphasizes "By its actions, Agip KCO has placed itself in a class of natural resource users who systematically violate the requirements of Kazakhstan's environmental protection legislation. In the

event that Agip KCO does not eliminate the revealed violations and, in the future, does not comply with environmental protection norms and measures, its activities in Kazakhstan may—taking into account the scale of the company's work—lead to irreversible, catastrophic changes to the environment, to the destruction of flora and fauna.”

At the same time, it is noted “that the basic exploratory work is lagging behind earlier agreed upon deadlines by a total of five years, lengthening the period of company's environmentally harmful impact in terms of pollution emissions.”

Agip KCO was given an order to eliminate the revealed violations. At this time, the Ministry [of Energy and Mineral Resources] is reviewing materials on suspending the license for natural resource use in 2007.

The Agip KCO consortium consists of ExxonMobil, Inpex Masela Ltd., Phillips, Shell and Total. Oil was first discovered at the Kashagan Field at the “Vostok-1” well in the summer of 2000. The field's proven reserves amount to 1.5 billion tons.

Translated by Crude Accountability