

# *Environmental activity of the LUKOIL Company in Komi*

*EBRD Annual Meeting, Kiev, 2008*

## **Background**

*In May 2007 the LUKOIL Company signed a USD 300 million loan contract with the European Bank of Reconstruction and Development (EBRD) and other multilateral banks to finance an environmental security scheme of the LUKOIL group subsidiaries. The borrowed funds were supposed to be used for implementing environmental projects by a number of company divisions including LUKOIL Komi LLC. The loan is believed to help decrease the volume of associated gas, reduce water consumption and pollutant content in sewage, arrange waste management and reconstruct industrial pipelines.*

*We were unable to find information about the implementation of any environmental projects by LUKOIL-Komi LLC in the territory of Komi Republic using the EBRD's credit tranche. However, over the last two years the Save Pechora Committee in Komi Republic, where LUKOIL appears to be the largest oil producer, quite often comes across violations which throw serious doubt on the environmental and social friendliness of this oil company*

## **Information hiding and distorting**

*The hiding of oil pipeline leaks and untimely notification of accidents in Sosnogorsk, Vuktylsk and Izhemsk districts. For instance, information about the emergency leakage at the oil pipeline in the Pashninsk oil deposit was received by the Save Pechora Committee on December 19, 2006. However, the enterprise officially recognised the accident only on December 23; the information to federal state supervisory bodies was provided on January 5, 2007 after repeated complaints from the Save Pechora Committee. It is impossible to assess the actual size of the accident while the officially recognised leakage volume amounts to 2 cubic metres.*

*Understatement of the oil leakage volumes. One of the examples is the Pashninsk oil deposit where '2 cubic meters of oil containing liquid' officially leaked in December 2006 from the shabby worn pipeline, flowed some 400 m to the Pechora river, got burned on ice for two days, and finally contaminated 200 m of riverbank in spring. At the same time the traces of this oil contamination were observed on the Pechora bank in the summer of 2007.*

## Environmental damage

*Illegal destruction of forest in the protective bank zone of Pechora river, elimination of forest plantations over a total area of 4 hectares, unlawful deforestation during oil pipeline installation.*

*Oil pollution of lands and illegal ground disposal of the leaked oil.*

*Uncontrolled works to repair the oil contamination of Pechora's banks in May 2007. The Save Pechora Committee received numerous anonymous messages testifying that the oiled ice was pushed into the river by special equipment prior to the site visit of the state commission; later the representatives of the oil company's subdivisions could not explain where the oiled ice had disappeared.*

## Interference with the activity of public authorities

*Refusal to allow the representatives of public authorities and Save Pechora Committee to the oil contamination site for several days at the Pechora riverbank on the grounds of lack of transportation to cross the river (however the company's personnel used this kind of transport),*

*The corporation's political dictat on the local authorities' level in oil worker camps where local government (soviets) are formed from among the oil company's personnel or dependent persons.*

## Interference with mass media

*The blocking of information on environmental violations of LUKOIL-Komi LLC on the part of those members of the mass media that have agreed a fee-based contract with LUKOIL-Komi LLC, while the local population fails to receive trustworthy information and sees a big difference between the environment achievements described in press releases and the true situation.*

*Purchasing and further elimination of the entire run of the Novyi Sever newspaper that featured an article about the Company's environmental violations, by an executive officer of LUKOIL-Ukhtaneftgaz BE of LUKOIL-Komi LLC in May 2006.*

## Limitation of the rights of the local population

*Illegal limitation of civil rights. Turnpikes are installed on roads, citizens are unable to enjoy free access to huge forests for hunting, berrying and mushrooming. The claim by Sosnogorsk District Attorney against LUKOIL-Komi LLC to remove any road use obstacles is being adjudicated.*

*All fines and demands to indemnify losses are appealed to the court by LUKOIL-Komi LLC. The public and officials are obstructed to collect evidence of environmental violations and the damage caused. For this reason, as well as the negligence of officials executing documents, the criminal proceedings against the guilty party cannot be initiated: most of the fines merely collapse in the courts.*

*Over the last two years the Save Pechora Committee has faced and had to deal with the incomprehensible behaviour of certain officials: they have refused to respond to obvious violations from the oil company, lobbying its interests and rewriting check report to the advantage of the company, long (44 days) refusals to conduct site surveys of hidden oil leakages upon the Committee's notification etc, allowing sufficient time for the elimination of oil pollution traces.*

### **What the EBRD should do**

*The EBRD, as LUKOIL's credit grantor, must have an impact on the environmental, social and information policy of this company to ensure that it no longer ignores Russian legislation, and ends its contemptuous attitude towards public authorities and non-governmental organisations.*

*Save Pechora Committee is ready to inform the EBRD and provide assistance in supervising over environmental projects run by LUKOIL-Komi LLC.*

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