

# Environmental Finance

<http://www.environmental-finance.com>

## Sakhalin abandons petition to UK and US export credit agencies

London, 6 March: The consortium behind the much-criticised Sakhalin II oil and gas project in Russia has withdrawn applications for support from the US and UK export credit agencies, citing their drawn-out and uncertain timetable for decision making.

However, environmental groups claimed Monday's decision to cancel applications to the UK's Export Credit Guarantee Department (ECGD) and the US Export Import Bank (Ex-Im) as a success for their campaign against the project. Dmitry Lisitsyn, chairman of local NGO Sakhalin Environment Watch, said: "We celebrate this tremendous victory. Since its inception over a decade ago, Sakhalin II has committed severe environmental violations of these public banks' policies."

David Gordon, executive director of the NGO Pacific Environment, said: "This announcement demonstrates that the Sakhalin II project's environmental problems are irreversible violations of the environmental standards of these public banks."

However, Steve Roberts-Mee, London-based spokesman for ECGD, said: "From ECGD's perspective, we had not finished our due diligence on the project. There were still issues we were looking to address and consequently we were not ... in the position to make a judgement."

The project on the Russian island of Sakhalin puts at risk the rare Western Grey Whale, the NGOs argue, as well as wild salmon runs inland. It is being built by a consortium that includes Russian gas giant Gazprom, Shell, Mitsui and Mitsubishi.

Galina Dubina, a representative of the Sakhalin Energy consortium, told *Environmental Finance* that the decision was taken in light of the construction schedule at Sakhalin II, which is nearing completion.

Dubina said that the decision was not influenced by environmental concerns, however she cited a judicial review against the ECGD as a delaying factor. The review was launched by WWF, prompted by a letter which the environmental group said represented a positive decision to underwrite \$1 billion of contracts connected to the project before the environmental impact assessment was completed. Ex-Im began its consideration of the project in 2002, although this was halted several times for significant periods at the request of Sakhalin Energy.

"We need the secure financing in place in the first half of the year," she said, so the project is turning its attention to other funding sources, such as private banks. The consortium is also in negotiations with the Japan Bank for International Cooperation, which Dubina said are making "very good progress".

Updated 06 March 2008