

Press Release

CSFB asked to back off from Sakhalin II; crucial test for Equator Principles

***Global Coalition on Environmental and Human Rights to CSFB:
"Oil is Over, Fund the Future"***

Thursday, June 30, 2005

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Full Page Ad in Financial Times Calls on Credit Suisse First Boston to Sever Ties with Shell's Destructive Sakhalin II, the World's Largest Oil and Gas Project

- Ad runs as events and demonstrations in New York, London and Moscow show solidarity with indigenous and fishing communities protecting their home on Russia's Sakhalin Island.
- CSFB and other private banks called upon to uphold Equator Principles and factor in true costs of oil extraction to communities and endangered species
- European Bank for Reconstruction and Development deems Sakhalin II "unfit for purpose" due to environmental concerns.

Broadcast quality B-Roll and stills straight from Sakhalin available upon request

New York – Eight international civil society groups placed a full page ad in the Financial Times today urging Credit Suisse First Boston (CSFB) to uphold its sustainability commitments and sever its relationship as financial advisor to the controversial Sakhalin II project. Sakhalin II, a \$12 billion Shell-led operation on Russia's Pacific Coast is the single largest oil and gas project ever undertaken. The ad coincided with renewed demonstrations and indigenous communities blockades on Sakhalin Island and a week of solidarity events and protests in New York, London and Moscow. Shell's AGM in London was the site of resistance to the project as well as Credit Suisse First Boston's Russian offices in Moscow.



CSFB is a signatory to the Equator Principles, a voluntary set of guidelines designed to integrate environmental and social criteria into lending decisions, which Sakhalin violates. The ad outlined the direct violations of the project to the Equator Principles, which were launched in June 2003 and have now been signed by 31 private financial institutions in order "to promote responsible environmental stewardship and socially responsible development." A number of Equator Principles signatory banks have already indicated that they will not fund Sakhalin II.

Banktrack, an international campaign network focusing on private investments, released a report last month entitled "Sakhalin II Gas and Oil Project: Further Breaches of the Equator Principles" that detailed the violations of the project. A leading publication on sustainable finance, Environmental Finance, also called Sakhalin II a litmus test for the Equator Principles earlier this month.

"As we continue our blockades and resistance to this devastating project on our land, we call on all financial institutions, especially those who have signed on to the Equator Principles, to reject this project," said Dmitry Lisitsyn of Sakhalin Environment Watch, a local environmental organization. "The future of our land and our way of life is at risk and there is a clear opportunity here to invest in the long term health of communities and our environments rather than the short term profits generated from destructive oil projects."

"Sakhalin II is an environmental time bomb," said Ilyse Hogue, director of the Global Finance Campaign at Rainforest Action Network. "This type of radical resource extraction is exactly the type of project that the Equator Principles were designed to prevent. The Shell-led cartel is exhibiting a reckless disregard of the precautionary principle in this clear-cut case of business choosing oil over life. Credit Suisse First Boston and all other Equator Banks have no other ethical choice but to completely withdraw support and assistance for Sakhalin II."

Declaring '**Oil is Over. Fund the Future**', the ad cited a recent IUCN – The World Conservation Union report released earlier this year in which independent scientists found that Sakhalin II could push the last 100 Western Pacific Gray Whales to extinction. The headline of the ad referenced a recent statement from the European Bank for Reconstruction and Development which has deemed Sakhalin II "unfit for purpose" due to environmental concerns. The planned pipeline would cross 24 active seismic faults and hundreds of wild salmon spawning habitats. Plans to dump a million tons of dredging spoil into Aniva Bay will threaten a key fishery and thus the livelihoods of Sakhalin islanders.

Credit Suisse First Boston and Shell's Sakhalin II

CSFB is the lead financial advisor to Sakhalin Energy Investment Company, a limited liability corporation registered in Bermuda whose majority shareholder is Royal Dutch/Shell. According to *Project Finance* magazine, the \$12 billion Sakhalin II project is "the biggest single integrated oil and gas project ever undertaken." The highly controversial mega-project includes plans for two oil platforms located near the only known feeding ground of the critically endangered

Western Pacific Gray Whale. Other Equator Banks such as JPMorgan Chase and HSBC have agreed to apply the Equator Principles to their financial advisory roles, which will allow for early adoption of environmental and social safeguards on future projects like Sakhalin II.

If Sakhalin II proceeds as planned, toxic oil will move from offshore platforms through an earthquake zone and down an 800-kilometer pipeline that crosses 24 active seismic faults and more than 200 wild salmon spawning rivers and tributaries. {New photographs leaked to Sakhalin Environment Watch by project-insiders reveal gross violations of Russian law. Reckless pipeline construction slashes through forest ecosystems and destroys pristine wild salmon spawning streams and tributaries in its path. ([Rights-free photographs available upon request.](#))

As Shell announced an insufficient plan to reroute its dangerous pipeline in April, Sakhalin islanders discovered a huge amount of debris apparently dumped by a project sub-contractor in a shallow bay crucial to the island's vital fisheries. A local outcry forced the oil giant to immediately deploy divers in an effort to determine how the debris came to be dumped there.

Shell has failed to conduct the required Indigenous Peoples' and Cultural Heritage Plans prescribed by the International Finance Corporation (IFC) Safeguard Policies, the basis for the Equator Principle guidelines for managing environmental and social issues in project finance lending. In January of this year, indigenous residents endured minus 30-degree temperatures to peacefully blockade the Sakhalin II construction site and protest the negative impact it will have on their lives and livelihoods.

Despite obvious violations, Credit Suisse Group stated in a March 24 letter to Berne Declaration and Greenpeace Switzerland, "We believe that appropriate measures have been defined such as to limit any significant adverse effects the Project may have on the environment."

Western Pacific Gray Whales

According to "Impacts of Sakhalin II Phase 2 on Western Pacific Gray Whales and Related Biodiversity," a report by IUCN - The World Conservation Union released in February, "the most precautionary approach would be to suspend present operations and delay further development of the oil and gas reserves in the vicinity of the gray whale feeding grounds off Sakhalin, and especially the critical nearshore feeding ground that is used preferentially by mothers and calves." The report states, "The small population of western gray whales, numbering only about 100 animals, is on the edge of survival. It was reduced to such low numbers by commercial whaling that in the mid 20th century it was thought to be extinct. The population is listed by IUCN - The World Conservation Union as 'critically endangered' and also has been the focus of concern by the International Whaling Commission (IWC) and the 3rd World Conservation Congress. The few surviving

animals (possibly including only 23 reproductively active females) face a number of hazards throughout their range." A complete copy of the report can be found at www.iucn.org.

Market and legal response

Leading socially responsible blue-chip investment funds such as Investec Henderson Crosthwaite and Morley Fund have already sold all their Shell shares over concerns about the oil giant's lack of environmental ethics in its activities including those off Sakhalin Island. The European Bank for Reconstruction and Development (EBRD) has ruled that Sakhalin Energy's environmental impact assessments are "unfit for purpose." The Moscow-based legal center Rodnik filed a lawsuit in 2004 to stop the construction of Sakhalin II on the grounds that it violates Russian environmental code, which stipulates that any activities harmful to the IUCN Red List of Threatened Species should be stopped.

"From the likely extinction of Western Gray Whales to oil spills to destruction of the local fishing economy, the risks of Shell's Sakhalin boondoggle are too great. Our taxpayer-supported banks are rejecting it – Credit Suisse and other banks should too," said David Gordon, Executive Director of Pacific Environment.

Supporting statements

"Native peoples of Sakhalin -- Nivkh, Nanai, and Uilta, who continue a traditional subsistence livelihood based on fishing, hunting, and reindeer herding, have felt the negative environmental impacts from Shell's Sakhalin II Project most strongly," said Pavel Sulyandziga, vice president of the Russian Association of Indigenous Peoples of the North. "Offshore oil production has led to a sharp decrease in limits and harvests of fish by the native population, even though this traditional food is virtually the only source of survival for native peoples."

Sulyandziga continues, "The lack of access to full and truthful information about the oil development and the disinformation in published project information, along with the lack of interest by the company to carry out a serious dialogue with native peoples' organizations, has forced us to conduct civil protests."

"We haven't moved even a step forward in resolving our problems," said Aleksei Limanzo, the representative of the Council of Delegated Representatives of Indigenous Peoples of the North in Sakhalin Region. "We believe the oil companies are trying to drag out the negotiation process, so we're forced to renew our action."

Andreas Missbach, Berne Declaration, Zurich Switzerland: "Credit Suisse states on their website, that they 'contribute to sustainable development by acting in an environmentally responsible manner'. Their role in advising the destructive Sakhalin II project proves, that those are nothing but hollow words."

"The Equator Banks are already struggling to demonstrate that they are complying with the EPs. If they fund Sakhalin II in its current form, it will deal a crippling



blow to the credibility of the Equator Principles." Michelle Chan-Fishel Friends of the Earth-US Program Manager, Green Investments project.

"BankTrack has approached all potential financiers of the project, Equator and non-Equator banks alike," said Johan Frijns, coordinator of BankTrack, based in Utrecht, Netherlands. "If the possible extinction of an entire whale species is the sort of risk that Equator Banks are ready to 'determine, assess and manage' with their Principles, what good are such Principles then? At the end of the day, Principles are about having to make hard choices at times, and this is what we expect EP banks to do."

"The Sakhalin II project is a chance for banks to show whether they are serious about the Equator Principles, or just paying lip service to environmental concerns. Right now, the spotlight is on CSFB, which has already failed the test. We hope other Equator banks won't be so short-sighted." Greg Muttitt, Senior Researcher at Platform, UK based advocacy on oil and gas issues.

Petr Hlobil, Campaigns Coordinator, CEE Bankwatch Network, Czech Republic said "So far EBRD has taken the reasoned position that it cannot finance Sakhalin II due to its extreme environmental impacts. We expect that CSFB, an institution signed on to Equator Principles, must do the same."