

CRUDE ACCOUNTABILITY

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May 26, 2005

Mr. Paulo Campelli
General Manager
Karachaganak Petroleum Operating, B.V.
campellip@kpo.kz

Dear Mr. Campelli:

As you are aware, the CAO recently released its evaluation of KPO's activities at the Karachaganak Field, based on the complaint filed in October 2004. The report also includes recommendations for improving the situation in Burlinsky Raion, and I am writing to propose that we—Crude Accountability and KPO—work together to implement some of the recommendations put forward by the CAO. Crude Accountability has discussed the report with the complainants, and they, too, are prepared to work together to implement the CAO's recommendations.

Specifically, we propose that Crude Accountability, the complainants, KPO staff and representatives from the local administration meet to discuss and put together a joint plan for addressing the recommendations. We also propose that these meetings be facilitated and moderated by a representative of the CAO office.

The specific recommendations we would like to jointly address include:

1. "CAO recommends that KPO and the Complainants meet to establish protocols that improve the understanding and credibility of the independent studies that have so far been commissioned by the government, KPO and Crude Accountability/Complainants. KPO should publicly release its independent assessment of the 2002 Kenesary study in full to improve its credibility and build public trust in its findings. The complainants should be given comprehensive access to the studies so far undertaken by each party, including CA's health survey (including blood samples testing), the Western Kazakhstan Oblast 2002 Kenesary Study and the May 2004 Medical Survey of

- Berezovka) in order to promote open and transparent consideration of their findings.”
2. “KPO should continue the process of appointing external independent reviewers for environmental health aspects of its project, and its goal should be that their reports are made public. KPO should consider making the selection process for these reviewers more open and transparent so as to ensure their credibility and build public trust in their findings. KPO and the project-affected people should consider working together to identify appropriate criteria for the selection of these independent experts. If this is possible, these experts should be asked to review both KPO and CA studies that have been released in 2004 since there are apparently significant disparities between them.”
 3. “KPO should revise its procedures for disclosures of environmental information to the public ensuring that it has taken into account public concerns relating to the materiality of information released. KPO should be regularly consulting with communities and other affected parties about their concerns and ensuring that environmental & social monitoring activities are appropriate to resolving issues raised. KPO should operate on a presumption in favor of disclosure with respect to environmental monitoring information so that it effectively quells the current level of rumor and potential misinformation that exists in the region.”

As the CAO states in their report, “CAO is willing to participate in the design and facilitation of these protocols if desired by the parties.” Crude Accountability and the complainants would like the CAO to facilitate and participate in the meetings to work out these points.

In addition, the CAO recommends:

4. “KPO should work together with the local government to ensure easy public access to redress from project and non-project grievance mechanisms.”
5. “KPO should implement a series of public meetings and develop targeted information to clarify the following issues:
 - a. The history and rationale of decisions behind the SPZ including all of the factors that have been taken into account with respect to this decision; and
 - b. KPO’s role in the Tungush resettlement.”

6. "Wherever appropriate, these meetings should involve the government or other relevant parties as well as the complainants. KPO should work to ensure that there is clarity over the roles and responsibilities of the key parties with respect to changes in the SPZ and resettlement, and that, through discussion, it is possible to achieve written agreements that an understanding on these roles and responsibilities has been reached."

Crude Accountability and the complainants would also like to address—together with KPO and the local authorities—the issue of environmental pollution and emissions from the Karachaganak Field, which are not adequately addressed in the CAO report.

It is striking that one week prior to the official release of the CAO's report, KPO was denied its license by the Western Kazakhstan Oblast Ecology Department (see attached Uralsk Weekly article) and there has been no public comment by KPO or the IFC about this serious environmental violation. We believe that an open discussion about these circumstances should be an essential part of discussions between KPO and Crude Accountability and the complainants.

We are eager to meet with KPO management to discuss these issues, and to jointly address the recommendations put forward by the CAO. We believe the CAO can play a key positive role in facilitating these meetings.

I look forward to hearing from you and to beginning this important work together.

Sincerely,

Kate Watters

Kate Watters
Executive Director

Cc: Meg Taylor, Vice President, Compliance Advisor,
Ombudsman
Amar Inamdar, CAO Office
Jacques Roussellier, CAO Office
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