

# CRUDE ACCOUNTABILITY

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Ms. Meg Taylor  
Vice President  
Compliance Advisor/Ombudsman  
Office of the Compliance Advisor/Ombudsman  
2121 Pennsylvania Avenue, NW  
Washington, DC 20433

August 12, 2005

Dear Ms. Taylor:

Thank you for the opportunity to comment on the CAO report written in response to the complaint about IFC involvement at the Karachaganak oil and gas condensate field, which was filed with the CAO in October 2004. Crude Accountability is heartened that the CAO accepted the complaint and made a series of recommendations for environmental improvements at Karachaganak. As you are aware, the IFC provided \$150 million in loans to LUKoil, one of the members of the Karachaganak Petroleum Operating, BV (KPO), in 2002.

Crude Accountability offers the following comments regarding the report:

1. The CAO has offered serious recommendations about the need for more transparency and accountability on the part of KPO. The recommendation for KPO to "revise its procedures for disclosures of environmental information to the public" is, in our view, critical to any improvements to the KPO project. Similarly, "independent review of the environmental health aspects of the project" is key, as is public access to these reports. We are pleased to see these recommendations and have suggested to KPO that we cooperate to implement the recommendations put forward by the CAO. (See the attached letter, sent twice—without response—to KPO.)
2. While Crude Accountability and the complainants are pleased to see the CAO recommendations for greater transparency, improved communication and the notion that "KPO should operate on a presumption in favor of disclosure with respect to environmental monitoring information", we are concerned that the report gave little attention to the

problem of toxic emissions from Karachaganak. This issue is at the heart of the complainants' concern about operations at Karachaganak, and the basis for the demand for relocation.

The CAO report was issued on April 15, 2005, exactly one week after the *Uralsk Weekly*, an independent newspaper in Western Kazakhstan Oblast, reported that the regional environmental authority refused to issue an operating license to KPO for 2005. The article cited numerous environmental violations on the part of KPO, including emitting 56 thousand tons of toxic emissions into the atmosphere in 2004, improper storage of solid toxic waste on the field, and dumping toxic effluent into the water table. (See [http://www.crudeaccountability.org/eng/headlines/kpress/uralskweekly\\_03.htm](http://www.crudeaccountability.org/eng/headlines/kpress/uralskweekly_03.htm) for a copy of this article.)

Independent air monitoring by the complainants, conducted repeatedly in 2004, and, most recently in July 2005, confirms that toxic emissions continue to pollute the atmosphere around Karachaganak. The air sample taken by the complainants in Berezovka in July identified dangerous levels of carbon disulfide and hydrogen sulfide in the air. Carbon disulfide levels were three times over the "level of concern"; hydrogen sulfide levels were 7.27 times over the "level of concern" as determined by EPA standards. These results—and the determination by the regional environmental authority that operations at KPO were not up to health and safety standards—provide proof that concerns about environmental health problems are not merely an issue of perception, but rather, an objective reality. The CAO's failure to address this issue head on is troubling.

3. With regard to the CAO's recommendation that public health monitoring data be made public, including the blood analysis conducted by Crude Accountability in December 2004, the results of the blood analysis were provided to those who gave blood immediately following the analysis. The medical report from the analysis was provided to the Berezovka Initiative Group in April 2005, and is available from Crude Accountability upon request. Similarly, health survey results, environmental monitoring results and other data collected by Crude Accountability are available on our website and have been shared with Berezovka residents, local authorities in Western Kazakhstan Oblast, KPO, the

IFC and the CAO. Independent citizen monitoring in Berezovka is ongoing and new results will be placed on Crude Accountability's website as they become available.

4. The report assumes, by its tone, equality in the balance of power between KPO and the complainants, which simply does not exist. The complainants have been living and working in an environment of intimidation and harassment since they filed their complaint, a fact that is not adequately included in the CAO report. Berezovka villagers and Crude Accountability staff were harassed and intimidated by local authorities in December 2004—when CAO representatives were in Berezovka and Aksai—and deserves more than a footnote in the CAO report. This harassment was directly related to the complainants' and Crude Accountability's efforts to hold the IFC, KPO and the local authorities accountable for the situation at Karachaganak, and is relevant to the CAO report. Similarly, KPO's website has published erroneous information about the complainants and Crude Accountability, reference to which should also have been made in the CAO report.
5. Finally, the complainants' corrections to the draft report, which were sought by the CAO, were included in footnotes in the report, rather than being incorporated into the final text. We submit that the tone and overall meaning of the report would have been significantly altered if the complainants' corrections had been given full and appropriate treatment in the text.

Thank you for the opportunity to comment on the CAO report. Crude Accountability and the complainants are looking forward to receiving a response from KPO in answer to our letter suggesting joint cooperation in implementing the recommendations of the CAO. We also believe the CAO's participation in meetings between the complainants, Crude Accountability and KPO will be a positive force for resolving the serious problems existing at the Karachaganak field.

Sincerely,

**Kate Watters**

Kate Watters  
Executive Director