

ESRC Seminar Series: Trans-sectoral Partnerships, Sustainability Research and the Oil & Gas Industry in Russia

Notes on Seminar 2: 'A Sustainable Future for Sakhalin Island?'
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Introduction

The oil and gas industry has immense significance for global security. With recent geopolitical developments, international attention is turning to Russia's oil and gas potential, which is taking on ever more strategic importance. Local governments and communities face new environmental and social challenges related to oil and gas development in areas of particular ecological sensitivity. Corporate engagement with NGOs, communities and local authorities can be hampered by a lack of mutual understanding and in-depth, locally-grounded analysis. This ESRC seminar series has been designed to provide a neutral forum for dialogue between academia, industry, government and civil society, and to facilitate a critical examination of Western and Russian approaches to sustainable development and corporate governance in Russia. The seminar series is being organised by the Scott Polar Research Institute, Cambridge (Dr Florian Stammer and Dr Piers Vitebsky), Leicester University (Prof. Mike Bradshaw) and the London School of Economics' Centre for Environmental Policy and Governance (Dr Andy Gouldson), with overall co-ordination assistance provided by Dr Emma Wilson, director of Environment & Community Worldwide (ECW) and associate of the Scott Polar Research Institute. The seminar series is sponsored by the Economic and Social Research Council (ESRC), with some additional support from ECW and British Petroleum (BP). Seminar programmes and speakers' presentations can be viewed on the respective seminar series websites at: <http://www.spri.cam.ac.uk/events/russianoil/> and <http://www.le.ac.uk/geography/intro/ESRCresearchseminars.html>

Seminar 2 aims

The aims of this seminar were (a) to explore issues related to sustainability and oil and gas development by focusing on the case-study of Sakhalin Island, the Russian Far East, and (b) to provide a neutral forum for debate of the broad range of issues related to sustainable development in the context of multinational oil and gas projects in this region, avoiding the emotional tone of current debates surrounding these developments as they are portrayed in the media and by some

international NGOs. The seminar was attended by approximately 35 participants, including representatives of industry, government, academia, NGOs and local communities. Five participants came from Sakhalin Island itself, including two speakers, representing the regional government and a local NGO respectively, and local representatives of BP, Rosneft and a local community. Another speaker from Washington DC represented a US-based NGO working on Russian Far Eastern issues. Government representation was also boosted by a participant from the UK Department for International Development (DfID). Several postgraduate researchers also participated with ESRC bursaries where appropriate. The seminar opened with a presentation from Professor Mike Bradshaw, head of the Leicester University Geography Department, who provided a comprehensive overview of the Sakhalin oil and gas projects, set in the regional and global geopolitical context. This presentation gave an outline of the 'power geometry' of key actors in the Sakhalin oil and gas projects. Key power relations are between the centre and the region, but increasingly the local-global dynamic is playing a role, particularly in terms of NGO engagement with oil companies and financial institutions.

The second session included presentations by Dr Emma Wilson of Environment & Community Worldwide and associate of the Scott Polar Research Institute, Cambridge University ('Can stakeholder engagement lead to sustainable development outcomes?') and Doug Norlen, Policy Director of US-based NGO Pacific Environment ('Sakhalin's future: sustainable development or sustained destruction?'). A key issue for stakeholder engagement is building trust and understanding between stakeholders through informed debate, and the need for neutral forums for debate, such as this seminar series. With regards to oil company consultations, it was noted that efforts have been made by companies to move beyond standard public consultations, for example the Sakhalin Energy consultations with reindeer herders that were reported in Seminar 1. However, public consultations are still considered to be 'contrived' in some cases. Participants were interested to hear about the role of local oil company representatives (e.g. Sakhalin Energy's community liaison officers or CLOs), who live and work in local communities and provide a channel for local concerns about project activities. To work effectively, these local company representatives need to have the authority to facilitate change in the behaviour of companies and contractors, and in general there is a need for stakeholder engagement to feed more directly into corporate practice. Once again participants highlighted the critical importance of corporate monitoring and control of contractor behaviour in communities, be that payment of salaries or impacts to roads and infrastructure. Access to information is central to effective stakeholder relations; NGOs claim that information is often concealed by companies. Accurate information is also needed about community dynamics and politics in order for companies to understand the complexities of community actions such as the recent indigenous peoples' protest. 'Social investment' in the form of grants by oil companies may also create splits in a local community rather than leading to

sustainable development outcomes. Ethnographic research can inform the work of oil companies helping them better to understand these complexities.

Participants discussed the controversial nature of the Sakhalin I and II project Production Sharing Agreements and recent legislative changes, which mean Sakhalin will receive few benefits especially after 2007, and the role of international financial institutions in enabling stakeholders to exert a certain amount of control over project development. Norlen emphasised the need for companies to employ global best practice and not to hide behind the corporate ALARP standards ('As Low As Reasonably Practicable'). Participants noted that while NGOs and the media are important channels for stakeholder messages, there is a danger that some messages get more coverage than others in the international media (e.g. the Western Pacific grey whale). Companies tend to treat these big international issues with more attention, which means that less attention might be paid to issues that are more important to local populations and sustainable development, but are unable to attract the same kind of emotional response internationally. There is a need to raise the profile of other sustainable development issues and emphasise the complexity of the debate. However, it was agreed that this did not detract from the significance of international NGO efforts to preserve grey whale populations. It should be also be noted here that both NGO presentations (global and local) provided a broad coverage of sustainable development issues.

The second session was an opportunity for local Sakhalin stakeholders to present their own views and engage in debate. The speakers were Dr Vladimir Bida, head of the Economics Committee, Sakhalin Regional Administration ('The role of Sakhalin administration in the development of Sakhalin') and Dmitry Lisitsyn, director of Sakhalin-based NGO Sakhalin Environment Watch ('Oil extraction and sustainable development: a view from a local NGO'). The Sakhalin Administration contribution provided a valuable context for the debate, highlighting efforts made to balance economic interests (employment, investment) with environmental and social needs of populations (social security, waste management and oil spill response). Bida noted the assistance of the European Bank for Reconstruction and Development (EBRD) in some of these goals. Participants noted the need for Sakhalin to strike a balance between renewable and non-renewable resource use, and Bida drew attention to efforts being made by the Administration, including development of fish hatcheries and timber processing ventures. The local NGO contribution addressed many specific environmental and social issues and recommended specific solutions, the results of over 10 years of close monitoring and research that has taken place locally. A key issue for sustainable development on Sakhalin is the fishing industry and protection of the fish resources and their habitat, in particular the rivers that are to be crossed by the Sakhalin I and II project pipelines. The local NGO presentation showed photographs of severe erosion in some areas of Sakhalin where pipelines are currently being laid and compared these to Alaska's above-land pipeline systems

which it was suggested would be more appropriate to the Sakhalin landscape. Similarly Lisitsyn suggested that waste from Sakhalin II project activities in the south be dumped further from the sensitive waters of Aniva Bay where it is currently proposed. Lisitsyn discussed the use of project revenues and bonuses, and commented that despite mismanagement of these revenues in the past and consequent lost opportunities, he is more optimistic about the future with the new administration that is now in power. Participants discussed the feasibility of completing a strategic assessment of the cumulative impacts of the Sakhalin projects. It was noted that the responsibility for such an assessment does not lie solely with the oil companies themselves. A strategic assessment would need to be commissioned by the regional administration and leadership would also be needed from an experienced NGO or possibly a project lender. A key challenge would be to encourage all companies to provide the necessary information to complete such a study. Vladimir Bida noted that the regional administration is already involved in monitoring all the projects and will continue to do so.

Again participants provided positive feedback about the seminar, noting that it had been a rare opportunity to gather diverse stakeholders round the discussion table to discuss a whole range of sustainable development issues. The absence of Sakhalin Energy and the European Bank for Reconstruction and Development were regretted as they had been unable to respond to criticisms or comment on potential opportunities. Once again the seminar provided participants with plenty of good networking opportunities. It is also worth noting the excellent interpreting efforts of Vera Skvirskaja in both seminars, with valuable interpreting/translation assistance from Olga Ulturgasheva, Lena Rockhill and Emma Wilson.

The third seminar in this series will take place in June (date to be confirmed), hosted by the Centre for Environmental Policy and Governance at the London School of Economics. For more information please contact Dr Andy Gouldson at: A.Gouldson@lse.ac.uk