

Erica Bach
Project Compliance Officer
EBRD
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1 September, 2017

COVER LETTER: Complaint submission for Shah Deniz II Project

Dear Ms. Bach:

Crude Accountability, Public Association for Assistance to Free Economy (Azerbaijan), and Rasul Jafarov (civil society representative, Azerbaijan) herewith submit a complaint to the EBRD Project Compliance Mechanism regarding the Shah Deniz II project and its subsequent expansion in Azerbaijan. The evidence indicates that the EBRD and its client, Lukoil Overseas Shah Deniz (LOSD), are out of compliance with the 2008 EBRD Environmental and Social Policy, Performance Requirements, and the Public Information Policy. Our concerns focus on three main areas: 1) project approval process; 2) due diligence towards affected communities; and 3) disclosure of project-related information.

1. Project Approval Process.

Based on the available information, British Petroleum (BP), the operator for the Shah Deniz II project, had already begun the project when EBRD disclosed its PSD to provide financing to OSD for its involvement in the project in October 2014. EBRD issued its initial and subsequent loans to Lukoil, a minority (10%) shareholder in the operation, in July 2015. The ESIA, prepared by BP, is dated November 2014, and includes no mention of EBRD Social and Environmental Policy, Performance Requirements, and Public Information Policy. An independent consultant, IESC, conducted an audit of the ESIA in accordance with EBRD's policies, and found significant gaps in assessment and implementation. This audit was finalized only in September 2015, three months after the Shah Deniz II project had already been approved by the EBRD Board of Directors. Further, the independent consultant met with the project operator to discuss critical issues less than 30 days before the project Board date. One of the main conclusions of the audit is that LOSD had little ability to influence project outcomes, including social and environmental compliance. We are concerned with the implications of this conclusion and believe that the project approval process violated the Public Information Policy.

2. Affected Communities.

We are concerned about the EBRD's client's and/or project operator's lack of engagement and lack of disclosure of related project documents to project affected communities. There are four settlements that are impacted by the Shah Deniz 2 project: Sangachal, Massive III, Ezimkend, and

Umid. None of the residents interviewed by a Crude Accountability consultant investigating knowledge in the communities about the EBRD's involvement in the project were aware of any consultation process before, during, or after project approval. All those interviewed cite significant concerns relating to health, employment, and social and economic displacement. No one has heard of or seen the Stakeholder Engagement Plans or Social and Environmental Management Plans. Community members are not aware of any grievance mechanism, whether through the client or at the EBRD, and do not know how to submit complaints to the project officials. Further, vulnerable groups have not been assessed and treated separately to ensure that impacts do not fall disproportionately on them. The four impacted villages are home to Internally Displaced Persons as well as nomadic minority groups.

In December 2016, a gas pipeline exploded in Massiv III settlement, causing a fire and damaging a number of private houses. None of the victims of the explosion have been compensated.

3. Disclosure of Project Related Information.

We are deeply concerned that the EBRD's Social and Environmental Management plans have not been shared with the impacted communities and have not been disclosed to the public. In response to our repeated inquiries, EBRD staff have indicated that this was treated as a derogation for Board approval. This response is inadequate, as the 2015 list of project derogations does not list Shah Deniz II¹. Either the derogation was not disclosed accordingly, or it is not a derogation.

We are also not satisfied with the EBRD staff's response to our concerns about lack of adequate assessment of associated and third party facilities, as there are no baseline data for social and environmental impacts for associated facilities. We request that the PCM assess whether the impact assessment for associated facilities and their impacts on local communities is in compliance.

We are also concerned that Greenhouse Gas (GHG) emissions are not disclosed for this project per Public Information Policy requirements. Further, the project PSD does not include a link to the EBRD project ESIA webpage. When one finds the ESIA webpage on the EBRD website independent of the PSD, the link to the client's (LOSD) project performance is broken.

In addition to this overview, we submit the following information:

- EBRD PCM Complaint form for the Shah Deniz II project;
- Letter dated January 13, 2017 to EBRD staff regarding Shah Deniz II concerns;
- Letter dated February 7, 2017 from EBRD staff in response to our initial letter;
- Letter dated February 27, 2017 to EBRD staff in follow up communication;
- Letter dated March 27, 2017 from EBRD staff as response;
- Email exchange between Crude Accountability, and the EBRD civil society unit regarding the matter of derogation from policies;

¹ See <http://2015.sr-ebrd.com/assurance/#derogations>

- Crude Accountability community impact analysis, including testimony from impacted residents.
- Table outlining procedural violations as detailed in the independent Audit prepared by IESC.

We request that the Project Compliance Mechanism assess the Shah Deniz II project for compliance against the EBRD Social and Environmental Policy, Performance Requirements, and Public Information Policy. We urge you to conduct a site visit to the project site in Azerbaijan in order to fully evaluate the situation on the ground, including the aforementioned negative impacts to the affected communities.

Kind regards,

Rasul Jafarov, civil society representative, Azerbaijan

Zohrab Ismayil, Public Association for Assistance to Free Economy, Azerbaijan

Sonia Zilberman, Crude Accountability, USA