

OILWATCH ALERTS

MAURITANIA 2004

1. WOODSIDE AND MAURITANIA

16th June, 2004
J H Akehurst
Managing Director
Woodside Energy
Level 24, 240 St Georges Terrace

Perth WA 6000

Cc: Dr Jeremy Colman, Environmental Coordinator International Africa Business Unit, Woodside Energy; **Mike Lynn**, Investor Relations, Woodside Energy; Michael Walsh, Ethical Investors Magazine, **Sandra Kloff**, Consultant on environmental issues and member of the IUCN Commission on Environmental Economic and Social Policy; **Clive Wicks**, Conservation and Development Consultant, Member of IUCN Commission on Environmental, Economic and Social Policy; IUCN Mauritania, IUCN CEESP, WWF UK, WWF Australia, WWF Senegal, Greenpeace, FOE, ING Bank; Abn Amro; Macquarie Bank, AMP Hendersons Global Investors SRI Unit

Dear Mr. Akehurst,

We are writing to express our serious concerns regarding Woodside's approach to the development of its offshore oil deposits in Mauritania, and to highlight to you our view that the development is proceeding in a manner inconsistent with the company's environment policy, and contrary to the expectation of Woodside stakeholders including your investors, Mauritanian stakeholders and the general public.

We have ongoing concerns that were reinforced in recent correspondence from the company, that Woodside is applying double standards and exploiting the current deficiencies in the regulatory framework in Mauritania in a manner that poses unjustifiable risks upon the environment and communities who depend upon it and breaches the company's environmental policies.

We draw your attention to your obligation, extended to your investors and shareholders, as well as to the nations and communities in which you operate:

“At all stages of our business to plan and perform activities so that adverse effects on the environment are avoided or kept as low as reasonably practicable.”

In particular your commitment to implement this in a number of ways includes to:

- “Delay or stop activities where effective environmental controls are not in place.
- Comply with all applicable laws and regulations while aspiring to higher standards.
- Apply responsible standards where laws and regulations do not exist.”

It is our analysis that these obligations are not being met in the developments of the Chinguetti Oil Fields in Mauritania.

The International Association of Oil and Gas Producers acknowledged “oil and gas development activities...can be carried out safely with minimum adverse environment impacts **only** through a strong company commitment to environmental protection. The host government also needs to have a solid understanding of exploration and production operations and how they may affect the environment”(www.ogp.org.uk/pubs/254.pdf) It was acknowledged in the Woodside response to our report that the regulatory framework in Mauritania is not well developed. In light of this fact, of your responses to our concerns, and the substance of your proposal to develop these deposits, we have come to the conclusion that Woodside has not taken the appropriate measures to safeguard environmental concerns. On this basis, and in light of your environmental policy, it is our understanding that Woodside is obliged to delay or stop activities where effective environmental controls are not yet in place. It is our view that up to this point in time, Woodside has not done so, and in failing to commit to relevant safeguards, reveals a willingness to exploit the lack of regulations in the region by implementing sub standard practices. *Following, we discuss a number of our key issues upon which we base our concerns.*

Key Concerns over the Chinguetti Project:

a) Independent review of the EIA :

Recommendation:

Acknowledging the deficiencies in Mauritania’s regulatory capacity, Woodside commit to funding a comprehensive independent review of the existing Environmental Impact Statement for the production phase of the Chinguetti field by an organisation appointed by Mauritanian stakeholders specialising in standards for the Oil and Gas Industry working in a marine environment. While we appreciate the role of the IFC in providing advice on the EIS for the Chinguetti field and comments on the project in general, their involvement with the project on a financial basis makes it unrealistic to assume they can server the function of an independent body.

Exploration activities planned for the future should also be subject to separate Environmental Impact Statements (EISs) and likewise be reviewed by independent organizations. Exploration activities involve seismic surveys, exploratory drilling and well testing which all have different impacts on the environment. Cumulative effect where all these different phases of oil development in the future may occur at the same time and in the same area should be taken into account in every single EIS dealing with one particular aspect of oil development.

b) Single Hulled Tankers and FPSO

Despite concern expressed by a number of stakeholders, Woodside has made no commitment to only work with double hulled tankers and production ships. In its response to the MPI report authored by Kloff and van Spanje , Woodside stated that this move would not be cost effective. Given the serious and significant risks, recognised by Woodside, of vessel collision, and the enormous importance of the marine environment in the region, such a position is unreasonable and irresponsible. It is clear, given the low cost of production at Chinguetti that double hulled tankers are both economically and technically feasible, and also are evidently the best available technology to prevent accidents.

We are aware that Woodside has negotiated to use a converted 28 year old single hulled FPSO, the Berge Helene, on the Chinguetti Field (see www.shipbuilding.com, The Shipbuilding Report, week Ended March 5, 2004), proposing its use for 8-15 years by which time it will be 36-48 years old. In 2001 the Berge Helene was declared as a Flag Of Convenience Ship by the International Transport Federation (A Flag of Convenience is a ship registered in a country to which it does not have a legitimate connection in order to take advantage of weak regulations and standards, <http://www.greenpeaceweb.org/shipbreak/50-ships.asp?id=12>), and is also on a blacklist by Green peace Germany of old single hulled tankers that was developed after the Prestige Disaster. This risky proposal to use an aging blacklisted ship in a vital marine area on which millions of poor people depend is contrasted with the conditions placed upon Woodside in its Australian Enfield project, where it proposes to use a new double hulled FPSO.

Globally, the use of single hulled tankers is being phased out, and has been accelerated by a number of countries including the US and Europe after devastating oil spills from single hulled tankers. More than 25 years ago, the 1978 Protocol, the International Convention for the Prevention of Pollution from Ships (the MARPOL Convention) mandated the phase out of single-hulled tankers. The U.S. has already banned single hull-vessels including FPSO's in their waters, with regulations enacted under the Oil Pollution Act of 1990 require that tankers operating in U.S. waters must have double hulls. It also has stronger liability legislation in their Oil Pollution Act. In November 2002, the Prestige sank off Galicia, Spain's richest fishery grounds, carrying 77,000 metric tons of heavy fuel oil (HFO). After it finally sank at the end of the following

March, the European Union passed new measures on maritime safety, including an immediate ban on single-hulled oil tankers carrying heavy grades of oil from entering the waters of the European Union and their complete phase out between 2005 and 2010, depending on the kind of the vessel. The Transport Council in 2002 furthermore called for an acceleration of the calendar for phasing-out of single-hull tankers, for applying the Condition Assessment Scheme from 15 years of age. Since disaster struck Spain, the European Union has also drawn up a blacklist of ships it deems too dangerous for European waters, many of them ageing single hull oil tankers, now banned from its shores. Major oil companies have self-imposed rules prohibiting the use of tankers older than 15 years.

Internationally, in 2010 international legislation precludes the use of single hulled tankers for carrying potential major pollutants including crude oils of all types.

International legislation for double-hulled production ships (FPSOs) has not yet been in place because the general idea is that these ships are stationary and therefore pose a lesser risk than moving vessels. However, the waters off Mauritania are heavily fished and therefore collision risk with fishing vessels pose a serious threat. Woodside already experienced this risk when they were collecting data on sea currents. The vessel that was put in place by Woodside to protect the equipment measuring sea currents, failed to warn off a fishing vessel that came in too close and the scientific device got caught up in their nets and was eventually destroyed.

Apart from collisions that are indeed an important risk factor, we would like to remind Woodside that two of the worst recent oil spills have been from the Prestige and the Erica. In each case the cause was not collision, but structural failure of the vessels resulting in total loss: they broke in half during heavy weather conditions. In theory, the "vetting" and "class" (classification society) inspections of oil tankers are designed to prevent this kind of disaster, but investigations in the Erica's sinking have shown that these inspections are ineffective at detecting latent structural defects. We therefore would put more faith in young or newly build vessels (that are all double hulled anyway), independent of the fact whether they are moving or stationary vessels like FPSOs, and in the fact that Woodside will be required to hire only first-rate oil shipping companies instead of the lowest bidder. Control over the quality of trading vessels and the companies that operate them will be critical.

Furthermore we would like to draw your attention to several new offshore projects where oil companies also exploit deep water reserves, including companies active in front of the African coastline, and who made a commitment to only work with newly build and double hulled production ships. The FPSO planned for the Bonga field off Nigeria exploited by Shell, and ElfTotalFina's FPSO operating off Angola at the Girassol field are both newly build and double hulled. In this manner Woodside's proposed practice in Chinguetti falls vastly below the standards of responsible corporations.

Recommendation:

1. Consistent with the operations of other companies developing new projects in Africa, and with the development of its operations here in Australia, Woodside commit to using a new double-hulled FPSO.
2. In light of the global and regional importance of the marine resources that could be impacted by Woodside's operations, and the extreme sensitivity and vulnerability of both the environment and the communities relying upon the environment should these impacts be felt, that Woodside agree to apply responsible standards equivalent to those applied in International Maritime Organisation classification of "Particularly Sensitive Sea Area". This includes the exclusion of single hulled tankers, and condition assessment schemes irrespective of whether these regulations are in place in Mauritanian waters.

c) Produced Water

We have ongoing concerns regarding Woodside's proposal to dispose of produced water. A key issue remains the cumulative impact of produced water from extensive oil exploitation in the region and from the disposal of drilling plugs.

Recommendation:

Woodside develop means of re-injecting produced water. If it is maintained that this is not possible, we seek clearer evidence and justification that the water cannot be re-injected at any point during the lifetime of the deposit, and on what basis or calculation this decision is based.

d) Drilling Muds

Long term and cumulative impacts of drill cuttings and mud discharges include chronic effects of discharges on benthic and pelagic biota, sediment and water quality. In the US and UK, the existence of natural radioactive substances (e.g. radium 226) in drilling muds is considered an ecological problem when the muds are dumped into the sea.

Recommendation:

We urge Woodside to commit to the achievement of zero discharge policy and to apply the newest technology available on the market. Drilling muds should be shipped ashore and disposed of in an environmentally sensitive manner, or be re-injected into geological structures.

e) Capacity Building Workshop

We commend Woodside's commitment to carry out a capacity building workshop in response to concern expressed by a wider variety of Mauritanian and international organisations at the Draft EIS stage. However we are

concerned at your proposal to limit attendance at the workshop now scheduled for the 5th of July to a small number of NGO's, and wish to highlight the importance of including all stakeholders and affected parties in the workshop. This approach will fail to address the significant need for capacity building in the country within the necessary time frames essential to ensure effective input from appropriate stakeholders.

Mauritanian stakeholders, including both NGO's and other institutions, federal organisations and regulatory bodies lack independent knowledge on the nature of offshore oil development, the impacts and risks it poses to the marine ecosystem and fisheries and existing and developing standards in the industry. As such these Mauritanian stakeholders are unable to engage effectively in two-way dialogue with oil companies,

A workshop for NGOs in isolation will achieve little if regulatory bodies are not equally supported and if there is no legal framework for sound environmental practices for the oil industry in the first place. We are aware that there may be proposals for UNESCO and World Bank to assist in capacity building in the near future, however given the immediate importance of capacity building of all Mauritanian stakeholders as a **precursor** to development of the industry, these future proposals can not provide a valid basis for excluding groups from the current program organised by Woodside.

Recommendation:

In accordance with Woodside's environmental policy:

1. Immediately commit to building the capacity of Mauritanian stakeholders, including government departments and agencies, other potentially affected organisations or groups, and NGO's. This should be ongoing, but in particular occur **prior to** further active exploration or development that could have potentially negative impacts upon the environment. In particular the programme should make the necessary commitment of finances, human resources and time; must precede the development of an Environmental Management System (EMS) and continue until the stakeholders themselves identify that they are able to work with the Industry effectively without further assistance.
2. Commit to extending invitations for proposed capacity building workshops (including the event on the 6th of July) to all Mauritanian stakeholders who have a interest or are potentially affected by their developments (such as NGOs, fishery communities, private sector and relevant government departments; ministry of fisheries, mining, environment and the fishery research institute). The Mauritanian Fishery Research Institute made it very clear that they needed such a workshop, as did several government departments, the Ministry of Agriculture and Environment and the National Parks. Furthermore the fishery sector, a primary stakeholder, and potentially the most directly affected party, whether they clearly expressed a need for capacity building or not, should definitely be invited and urged to attend such a workshop.

f) Seismic surveys

We comment Woodside's commitment to carry out thorough stakeholder involvement prior to establishing a timetable for seismic surveys. Woodside is aware, as they have shown during their work in NW Australia, that these consultations are vital to obtain a clear understanding on when and where these surveys will have the least possible effect on fisheries and the marine ecosystem in general. While establishing a timetable for seismic surveys, Woodside should avoid to carry out these surveys in sensitive areas and during the sensitive periods in the life cycle of marine species e.g. migration and spawning. The meeting Woodside called together a month ago with the Mauritanian Fishery Federation (FNP) and the Mauritanian Institute for Fishery Research (IMROP) to discuss a new campaign for seismic surveys could have been an opportunity to collect such data but it failed to do so. According to the FNP the meeting had more the character of a monologue than a dialogue and Woodside failed to explain what impacts seismic surveys may have on the marine environment and fisheries and how such effects could be avoided. Main focus of the meeting was to make the fishermen understand to stay away from the survey ship and the expensive fragile long line with hydrophones towed behind it. The meeting was clearly not experienced as a dialogue, in which all parties involved were given the opportunity to give feedback and in which a fully agreed upon time table for seismic surveys was jointly established.

Recommendation:

1. Woodside publish prior to any seismic surveys an Environmental Impact Statement for this specific activity.
2. Woodside commit to inform all concerned and affected parties on its risks involved and how these could be avoided.
3. Woodside commit to consult with IMROP, FNP and related institutes on marine species migration patterns to identify whether there is any potential for environmental impact and, if there is, to propose mitigation techniques so that the operation can be conducted without causing adverse environmental effects.
4. Woodside commit to identifying gaps in current knowledge that pose risks to marine ecology, and to funding scientific studies where there is incomplete knowledge on the marine environment, migration patterns of marine species and to stop any further surveys until these gaps in knowledge are filled.
5. Woodside commit to funding independent reviews of their Environmental Impact statements.
6. Woodside commit to appoint a fishery representative onboard the seismic survey vessel

g) Strategic Environmental Assessment (SEA) for the oil and gas Industry

Woodside has worked closely with the Australian government on a strategic regional assessment of the offshore oil industry in Australia. We are aware that during your meeting with WWF on the 28th November 2003, Woodside committed to applying the same standards in Mauritania as it would in Australia. There is equal, if not greater need for such a program amongst the countries in the West African marine bioregion, which lack both the baseline data and the established environmental policy and planning structures present in Australia. The lack of baseline data, the need for more extensive surveys and data collection to be done has been highlighted by comments to Woodside from Mauritanian stakeholders. The project is sited within one of the 10 most important marine eco regions in the world, which has global importance for biodiversity and regional importance for fish, and Woodside has a responsibility, reflected in its environmental commitments, to support and where necessary, to take the lead in such proposals. Without the necessary legal and policy frameworks at national and regional levels, and without basing environmental management on the appropriate level of baseline data, oil developments in the region will be subject to excessive risks, and embody irresponsible conduct on the part of companies involved.

Recommendation:

Woodside acknowledge the urgent need for a SEA at the National and Regional level and provide the necessary support and endorsements, including the provision of the further and relevant capacity building and financial cost sharing to facilitate such an activity.

h) Emergency Oil Response Plans

The lack of adequate emergency response plans, at both the company, the national and regional level, to deal with possible oil spills from projects including those being developed by Woodside is problematic. We share the concerns of WWF that the Southampton Oil Spill response team, currently the main organisation dealing with a major spill is not adequate. Plans for oil spills; including national oil spill response plans and a regional contingency plan are not being developed fast enough.

Recommendation:

In line with your environmental policy, appropriate and comprehensive emergency oil spill planning be a precondition to the operation of the Woodside project. This includes the development of mechanisms at both the company and national and regional scale to a standard consistent with Australian national arrangements and regional response plan strategies in operation elsewhere. Adequate oil spill equipment must be put in place and the equipment available within the Region at the start of operations to deal with spills as soon as they occur. It is also vital to ensure that development does not proceed to the point where spills are possible until these matters have been dealt with, and until adequate national liability laws are in place for any pollution should it occur.

i) Concluding Remarks

We note that, according to your website, as Managing Director of Woodside Energy Ltd. you are accountable to the Board of Directors (and also by extension to investors and other stakeholders) for ensuring Woodside's environmental policy is implemented. We view the recommendations above as essential elements in the creation of minimum conditions to ensure compliance of the Chinguetti project with the company's policies. Investors, those impacted in Mauritania, and the global community rely on your good faith commitment to do so.

Yours faithfully

Techa Beaumont
Mineral Policy Institute, Australia

Fuente: Comunicado Info Oilwatch.- Miércoles, 23 de Junio de 2004