

PETROLEUM IN RUSSIA 2003

1. IF TREES ARE FAMILY, AN OIL PIPELINE IS UNGODLY

By Sabrina Tavernise. Zun – Murino Journal

UN-MURINO, Russia In her sunlit kitchen, Nellya A. Prushenova does the dishes in a pail of steaming water that she melted from ice, and talks animatedly about a frightening new neighbor.

It is not human, or even animal. It is a new oil pipeline, which will run near this tiny village in the mountainous Russian region of Buryatiya, just north of Mongolia, into China. Oil companies and government officials say it is important ~ it will bring money and forge a new trading tie.

Ms. Prushenova does not see the allure. The main problem, in her words, is the construction. Bulldozers will be tearing up the land her grandparents grew up on. Trees will be cut down. Worst of all, the sacred places ~ a bald patch on a mountain, a hill ~ are in risk of being violated. "Bad things happen when trees are cut down," said Ms. Prushenova, a rail-thin history teacher in the local school who brings in extra income as a fortuneteller. "A child can get sick, or all of our cattle might die.

Maybe there will be a flood. Our nature is very easily offended." Her anxiety is shared by a small group of villagers in this settlement of 1,500 people. The villagers practice Buryat shamanism, a set of beliefs that centers around a reverence for nature. Trees and rivers are worshiped. The main prayer rite in the spring celebrates, as Ms. Prushenova says, "the earth waking up." Angry gods can make much mischief.

Beyond angry gods, there is another reason why Ms. Prushenova is incensed by the coming pipeline. It will run in a narrow valley between two mountain ranges, part of the Tunkinsky National Park. The swath of plains, forests and rivers is an old trade route into Mongolia. A wall of snowcapped mountains rises behind the village, 37 miles from the Mongolian border.

Development in the park is banned, and last year one of the villagers took the initiative to send a letter to the ministry of natural resources in Moscow to remind the government. An answer came back, months later, confirming that, under the current laws, the territory cannot be used for the pipeline.

But the oil company, Yukos, has proposed moving the park's boundaries. It argues that the park, set up in 1991 with hasty, Soviet maximalism, penalized the dwellers of the valley, who were left in a legal bind, banned from cutting wood for their stoves. A pipeline, they argue, will generate jobs, be less invasive than oil extraction and leave a corridor only 130 feet wide.

Ms. Prushenova would not have known about the pipeline had it not been for an energetic environmental activist, Nina Vecher, 57. Ms. Vecher, a physics teacher turned activist grandmother, says she does not believe the promise of jobs. Who, she asks, realistically expects Yukos to hire a bunch of cattle herders.

Moreover, fees to be paid for damages during construction were set in Soviet times and have been practically obliterated by inflation. Lastly, no one can guarantee there will not be spills.

Together with environmentalists from Irkutsk, Ms. Vecher has traveled all over the district here, telling people about the pipeline. Friends of the oil company struck back by publishing an article in a regional newspaper asserting that the environmentalists, financed in part by an American grant, secretly plotted to thwart Russian economic interests on behalf of America.

Ms. Prushenova cares little about American spies. She has a more immediate concern: feeding and clothing her 14-year-old daughter on \$120 a month. Chickens live in the kitchen in a coop she built herself that doubles as a table for one of the village's few phones. Rugs knit from old sweaters are on her floor. Firewood, costly on her tiny budget, is the only source of heat.

The oil company argues that taxes paid to local budgets will help to breathe life back into the region. Buryatiya, one of Russia's poorest regions, will receive \$20 million in revenues, according to Yukos, during the building of the pipeline through 340 miles of Buryat land.

"You can't stop progress," said Mikhail Zamyatin, head of production at a Yukos oil refinery in the neighboring region. "They did it in Alaska. Why can't we do it here?" That argument has some convinced. Valentina G. Aslamova, a retiree, said ecological degradation began several years ago, when the national park could no longer fend off illegal timber cutters. The Yukos pipeline, she said, would at least bring cash, and might eventually lead to gas supplies in the region, now heated entirely with wood.

"Let Yukos come," said Ms. Aslamova, who has lived in the valley for all her 73 years. "The forest is being chopped down anyway. It could give some jobs to our young people, who are dying from alcoholism."

Wood poachers are a far greater danger to the area than the pipeline, Ms. Aslamova said. In midnight thefts, men ~ sometimes villagers themselves ~ cut down large swaths of forest to sell to a growing new market in China. "We can't control it," said Aleksei A. Bordashov, deputy head of the park's ranger force.

"Three years ago, this cutting barely existed." The topic brings a sadness to Ms. Prushenova's face. She knows who among the villagers is responsible. Other cutters come from far away, like the men who will come to build the pipeline. "Technologically we are becoming more modern," she said. "But we've lost the sense of living. I'm not against civilization. But my forefathers are from the trees. I am afraid for them."

Source: *RESISTANCE OILWATCH NETWORK BULLETIN* Number 38 - May 2003

2. JAPAN STEPS UP EFFORTS FOR CONSTRUCTION OF SIBERIAN PIPELINE

By an OGJ correspondent

NICOSIA, Apr. 16 -- With promises of funding, Japan has stepped up efforts to secure construction of a projected 4,000 km crude oil pipeline that would carry supplies from Siberian oil fields to Japan via an export terminal on Russia's Pacific coast.

Japan's National Oil Corp. Pres. Yoshiro Kamata said Wednesday that Japan is prepared to invest \$1 billion in the economy of Russia's Far East if the Angarsk-Nakhodka oil pipeline is built, according to press reports.

Russia's Itar-Tass quoted Kamata as saying Japan would invest the money into the construction of an oil sea terminal and a refinery over 4 years. Kamata's remarks reaffirmed earlier statements by Japan's Ambassador to Russia, Issei Nomura, who told a Moscow news conference Monday "Russian-Japanese energy ties have tremendous potential, especially regarding the construction of the Angarsk-Nakhodka oil pipeline."

"We are interested in upstream support for the project as well as participating in the construction of the pipeline, and of course in buying oil. However first, we must wait for the (Russian) government decision," Nomura said.

Saying Japan had presented the Russian government with proposals for the pipeline, he declined to outline details, adding, "I have no right to publicize the nature of our proposals." Kamata said Tokyo was ready to consider extending major long-term credits at low interest for the construction of the line.

At a meeting with Khabarovsk Region Gov. Viktor Ishayev, Kamata stressed that the Japanese ministry for economic development was interested in the project, which would considerably reduce Japan's dependence on Middle Eastern oil exports.

Japan's Ministry of Economy, Trade, and Industry, underlining the need to diversify suppliers of oil, last month said the country's reliance on Middle Eastern crude stood at 79.9% in February, down 6 percentage points from a year earlier.

In March, the Russian government considered competing plans to build two oil export pipelines—one to Japan and another to China—but officials postponed any final decision pending the outcome of feasibility studies, due by May 1.

Officials were asked to choose between a route preferable to Japan, carrying oil from Angarsk, the easternmost point of the Russian oil pipeline complex near Lake Baikal, to Nakhodka on the shores of the Sea of Japan, and a shorter, less expensive project linking Angarsk with refineries near China's top-producing oil field complex at Daqing.

State-owned China National Petroleum Corp. already earmarked \$700 million to invest in the Angarsk-Daqing project, while Russian companies said they would invest another \$1 billion in building the 2,400 km pipeline.

Source: *RESISTANCE OILWATCH NETWORK BULLETIN Number 39. - June2003*

3. BP CREATES MULTI-BILLION DOLLAR OIL & GAS PARTNERSHIP IN RUSSIA

LONDON, England, February 19, 2003 (ENS) - The BP energy company and the Alfa Group and Access-Renova (AAR) have agreed in principle to combine their interests in Russia to create the country's third biggest oil and gas business, in which the two parties will each have a 50 percent stake.

The transaction was effective from January 1, 2003, and is scheduled for completion in the summer. The deal is subject to regulatory and other approvals, including the consent of the European Union and the Russian Ministry of Anti-Monopoly Activities.

The new company will incorporate TNK and Sidanco, which, between them, produce some 1.2 million barrels of oil a day. It will also own exploration interests in Siberia and Sakhalin Island, interests in five refineries and a retail network of more than 2,100 sites in Russia and the Ukraine.

For its 50 percent stake in the new company, BP will pay AAR \$3 billion in cash on completion of the deal and three subsequent annual tranches of \$1.25 billion in BP shares, valued at market prices prior to each annual payment, the company said in a statement February 11.

BP Chief Executive Lord Browne described the transaction as "a major strategic step into a country with massive oil and gas reserves and immense potential for future growth."

BP entered Russia five years ago when the company bought 10 percent of Sidanco. "We had a tough time initially," Lord Brown said, "but after the present management and ownership structure was established early in 2001, we have gradually built an important, mutually beneficial relationship with the owners of AAR and learned a great deal about doing business in Russia."

Rigorous and extensive physical inspections of the properties involved, and a system of governance that safeguards the interests of all parties have been accomplished, BP says.

"These prudent measures, combined with Russia's greatly improved economic stability, improved legal system and increasing commitment to international rules of trade and business, have convinced BP that now is the time to deepen our partnership with AAR," Lord Browne said.

The new combined company will have production of some 1.2 million barrels of oil a day. BP estimates that the oil and gas resources of the new concern are at least 5.2 billion barrels.

Source: *RESISTANCE OILWATCH NETWORK BULLETIN Number 39. - June2003*