

Karachaganak Petroleum Operating, B.V.

Headquarters:	Aksai, Kazakhstan
Branch of trade:	Oil and Gas
CEO:	Paulo Campelli
Turnover / net profit:	n/a
Owned by:	Chevron Corp. (20%), ENI/Agip (32,5%), British Gas (32,5%), LUKOIL (15%)
Employees:	n/a
WEF-Participant 2006:	not officially enrolled

Summary

Even without an environmental license, Karachaganak Petroleum Operating (KPO) continues drilling for oil and gas, consequently polluting the atmosphere and causing severe health problems in several communities around the Karachaganak oil and gas field. According to Crude Accountability, the distinction of KPO's environmentally irresponsible behaviour lies not only in its destructive environmental actions, but in its refusal to be transparent about the environmental impact of its activities. Crude Accountability demands that KPO practice oil and gas extraction which abides with environmental legislation.

Information on the case and characteristics of irresponsible corporate behaviour

The Karachaganak Oil and Gas Condensate Field, one of the largest petroleum fields in the world (1.2 billion tons of oil and condensate, and over 1.35 trillion cubic meters of natural gas) is located on the Western Kazakhstani steppe, close to the border with Russia. The territory has traditionally been home to agricultural communities.

Since 1997, Karachaganak Petroleum Operating (KPO), a consortium of British Gas, ENI/Agip, Chevron and LUKOIL, has invested \$4.3 billion in oil and gas production at the Karachaganak field. Apparently, not enough of this money has been used to minimize the negative environmental and social impact of the consortium's activities. KPO continually pollutes the atmosphere around the field with toxic emissions such as hydrogen sulphide, carbon disulfide, methylene chloride, toluene and acrylonitrile. KPO disputes these facts, but at the same time refuses to publish several of its own health studies conducted in the vicinity of the field.

KPO systematically fails to comply with environmental legislation. In April 2005, the Western Kazakhstan Regional Environmental Authority denied KPO the necessary license for oil and gas production. The release of 56,000 tons of toxic emissions into the atmosphere, the improper storage of toxic solid wastes on the field, and the dumping of toxic effluent into the water table are only a few of the reasons that led to this decision. But in spite of this ruling, KPO continues to operate at Karachaganak, without a license and therefore paying heavy fines to authorities. To this day, KPO has not offered a public statement about the loss of its license.

Instead of responding to public concerns about public health and environmental damage with dialog and openness, KPO has spearheaded a smear campaign against accusations and continues to promote itself as a consortium with “first-class environmental performance”.

Consequences

KPO’s negligence to respect environmental standards causes severe health problems for communities in the vicinity of the field. In the village closest to Karachaganak, Berezovka (approximately 1,300 habitants), 45% of the population suffers from chronic environmental health problems according to Crude Accountability. Water in this village has been labelled “not of drinking water quality” by a certified laboratory in Orenburg, Russia.

Current status and demands

In 2004, the village of Berezovka sent a formal complaint about KPO’s environmental and social record to the Compliance Advisor Ombudsman (CAO) of the International Finance Corporation (IFC). The IFC, the private lending arm of the World Bank, loaned \$150 million to KPO (through LUKOIL) in 2002. The complaint was accepted, resulting in recommendations from the CAO that KPO increase its transparency and improve public access to environmental information. KPO has not responded to the advice, and has ignored a letter from the Berezovka Initiative Group requesting joint implementation of the CAO’s recommendations.

Crude Accountability demands that KPO:

- implement the recommendations of the CAO.
- engage in an open dialog with the affected communities.
- take into account public concerns.
- compensate and, if requested, relocate the villagers of Berezovka to a clean and safe area.
- extract oil and gas in a manner that abides with environmental legislation.

Detailed nomination: www.publiceye.ch/nominierungen

Further information and links:

- www.crudeaccountability.org/eng/headlines/kpress/kpress.htm
- www.kpo.kz