

“The Public Eye Awards 2006”

Nomination form A

(for companies that have excelled in socially and environmentally irresponsible behaviour)

The nominations will be made public before the Awards Ceremony. Handing in a precise, detailed and formulated nomination (please do not just send keywords, but full sentences) in the given form saves us a great deal of (editorial) work!

Nominated company or corporate group

Name: Karachaganak Petroleum Operating, B.V.

Headquarters: Aksai, Kazakhstan

Turnover / net profit: Karachaganak Petroleum Operating, B.V. (KPO) is a consortium of Chevron/Texaco, ENI/Agip, British Gas and LUKoil, and we have been unable to find any information on KPO's turnover and/or net profit. Their website does not contain this information, and we have been unable to find country profit breakdowns for any of the consortium members. What we do know is that each of these consortium members boasts on their website that the Karachaganak field is a profitable venture for them, and that each of these companies brings in billions of dollars of profit each year. ChevronTexaco's 2004 net profit of \$13.3 billion is almost half the size of Kazakhstan's GDP of \$29 billion. (Kazakhstan is a country the size of Europe.) KPOs' website states that it is estimated Kazakhstan's revenue from Karachaganak *over the 40 year life of the project* will be \$14 billion. KPO's excellence in environmentally irresponsible behaviour lies not only in its destructive environmental actions, but in its refusal to be transparent about the costs (and benefits to itself) of this activity.

Branch of trade: Oil and Gas

Owned by: ChevronTexaco (20%) ENI/Agip (32.5%), British Gas (32.5%), LUKoil (15%)

Number of employees We have also been unable to find this information, although we have asked KPO's public relations department specifically how many people are employed at KPO. This information is also not available on the website. KPO boasted that at the height of the construction at the Karachaganak field, as it was coming on line and which ended in 2003, approximately 20,000 people were

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employed at the field, over 80 percent of them Kazakhstani nationals. However, since the construction phase is complete, many of those Kazakhstani nationals lost their jobs. We don't know what the current employee figure is.

CEO: Paulo Campelli, General Director

Further information/data on the company/corporate group:

KPO is a consortium of four oil companies: British Gas, ENI/Agip (each with 32.5 % shares), ChevronTexaco (20%) and LUKoil (15%). With \$150 million in loans from the International Finance Corporation (IFC), KPO has developed the Karachaganak Oil and Gas Condensate Field, in Western Kazakhstan Oblast, Kazakhstan.

British Gas, ENI/Agip and ChevronTexaco boast on their websites that the Karachaganak Project is a hugely successful part of their international portfolios.

Nominated in the category (please do *not tick more than one category*):

- environment
- social rights (human and labour rights)
- taxes

Reasons for the nomination:

The rationale should include detailed information and, if feasible, it should be listed according to below aspects of irresponsible behaviour of the nominated corporate group. In addition, your rationale should include a list of sources. Moreover, enclosures such as studies or newspaper articles on the case as well as film material are most welcome.

General 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, is located in Western Kazakhstan Oblast, Kazakhstan and is dangerously close to at least 10 communities around the field. It is 280 square kilometers and holds more than 1,200 million tons of oil and condensate and over 1.35 trillion cubic meters of gas. Over \$4.3 billion has been invested in the project, according to the operators. The Karachaganak Field is located on the Kazakhstani steppe, close to the border with Russia, territory that has traditionally been home to agricultural communities. These communities now suffer both environmentally and socially because of the development of the field.

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KPO, the consortium operating at the Karachaganak Oil and Gas Condensate Field, has consistently polluted the atmosphere around the field with toxic emissions, including dangerous levels of hydrogen sulfide, carbon disulfide, methylene chloride, toluene and acrylonitrile. In the village closest to Karachaganak, Berezovka (population ~1300), 45 percent of the population suffers from chronic environmental health problems as a result of activities at the field. At least two accidents at the field during 2004 resulted in fires that lasted approximately seven days; no public recognition of the problems was ever made by the company. In April 2005, the government of Kazakhstan denied KPO a license because the consortium dumped 56 thousand tons of toxic emissions into the atmosphere during 2004, improperly stores toxic solid waste on the field, and dumps toxic effluent from the field into the water table. Water in Berezovka was labelled “not of drinking water quality” by a certified laboratory in Orenburg, Russia.

KPO has repeatedly refused to take responsibility for its environmental pollution, which has resulted in respiratory, vision, skin and other health problems in Berezovka. And, although their license was refused for 2005, KPO continues to operate; they simply pay fines to the government for all their pollution now.

Consequences

Consequences to the local community, as described above, are severe environmental and health problems as a result of the emissions from the field. Human health, the health of villagers' livestock and environmental impacts result from KPO's negligence. Berezovka is the hardest hit, but other villages around Karachaganak, including 2 communities in Russia, also complain of hydrogen sulfide and other toxic contamination. Hydrogen sulfide levels in Zatonnoye and Ilyek, Russian villages close to the Karachaganak Field, were twice the accepted level on at least two separate occasions in 2004. Independent air monitoring conducted by Berezovka villagers according to the Bucket Brigade methodology has determined dangerous levels of toxic chemicals on at least 4 occasions since September 2004.

In December 2004, when Berezovka activists—with assistance from Crude Accountability—organized independent blood analysis of villagers in order to determine toxic exposure in the community, they were threatened and harassed by the local authorities. Although this activity was connected to KPO's activity at Karachaganak, KPO stood idly by while these abuses took place. When asked about their lack of involvement in a meeting in April 2005, a KPO public relations officer stated that KPO doesn't get involved in human rights issues.

In addition, KPO has spearheaded a smear campaign against the villagers, including negative press on their website that implies the villagers are wrong, or simply crazy, in their claims.

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Consequences to the company include loss of their operating license by the Kazakhstani government in 2004. In April 2005, the *Uralsk Weekly*, an independent newspaper in Uralsk, Kazakhstan, reported that the Western Kazakhstan Regional Environmental Authority failed to issue a license to KPO for 2005 because of numerous environmental violations. In spite of this ruling, KPO continues to claim a clean environmental record. The IFC, the private lending arm of the World Bank, which loaned \$150 million to KPO through LUKoil in 2002, also maintains that KPO has a clean environmental record.

Current status and demands made to the company

In 2004, a formal complaint about KPO's environmental and social record was sent to the Compliance/Ombudsman, Advisor office of the IFC of the World Bank Group from the village of Berezovka. The complaint was accepted and investigated, resulting in recommendations from the CAO that KPO increase its transparency and improve public access to environmental information. Crude Accountability sent a request to KPO, on behalf of the Berezovka Initiative Group, requesting joint implementation of the CAO's recommendations. Although we have written to them twice, KPO has not responded. KPO has also failed to comment publicly about its loss of license.

Berezovka residents are demanding compensation and relocation to a clean, safe environment because of the dangerous, harmful and environmentally toxic conditions in which they are forced to live as a result of KPO's activities at the Karachaganak Field. KPO has refused to acknowledge its responsibility in this regard.

Sources / references

Uralsk Weekly articles on KPO are available at <http://www.crudeaccountability.org/eng/headlines/kpress/kpress.htm>.

Environmental health data, gathered by the villagers of Berezovka, are available at <http://www.crudeaccountability.org/eng/campaigns/karachaganak/karachaganak.htm>

Air monitoring results from Berezovka are available at <http://www.crudeaccountability.org/eng/campaigns/karachaganak/karachaganak.htm>

Negative information about Berezovka environmental activists is available at <http://www.kpo.kz/cgi-bin/index.cgi/126?id=222>

Video footage of the accident at Karachaganak in July 2004 is available from Crude Accountability.

Information for the organisers:

Nomination submitted by:

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Name of organisation: Crude Accountability

Name of contact person: Kate Watters

Address: P.O. Box 2345, Alexandria, VA 22301, USA

Email: kate@crudeaccountability.org

Phone: 703-299-0854

The contact person may be contacted for any follow-up queries from the organisers. In addition, it is planned to make this information available to the interested public in the course of the publication of the nominations (on www.evb.ch/publiceye.htm) Please tick below if you do not wish your contact details to be made public.

Do not publish my contact details

Award's Ceremony in Davos

If the company you nominated is awarded a price, would your organisation be in the position to send a person to Davos to give a speech and to conduct a workshop on the topic? This person should have expert knowledge on the nominated company because she/he has written a report on it or carried out a campaign on the topic. Travel, accommodation and expenses of the spokesperson will be covered by the organisers.

A presentation of the case in Davos at the end of January 2006 is possible (please tick)

Name of the person: Kate Watters

Address: P.O. Box 2345 Alexandria, VA 22301, USA

Email: kate@crudeaccountability.org

Phone: 703-299-0854

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