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Edited by David Johnson

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Russian Ministry Says Sakhalin Energy Measures on Environment Unsatisfactory

MOSCOW. Nov 13 (Interfax) - The Natural Resources Ministry does not find the measures proposed by Sakhalin-2 operator Sakhalin Energy to compensate for damage to the environment on the island of Sakhalin satisfactory.

"The measures proposed by Sakhalin Energy to compensate for damage caused to the environment do not take into account the scale of the damage," the ministry said in a press release.

The press release indicates just one measure proposed by the company to restore the forest: "collection of cones, conservation and storage of conifer cones."

Sakhalin Energy "needs to acknowledge that because of the actions of contractors, 529 rivers in the island require restoration," the release says.

Russian environmental watchdog Rosprirodnadzor said "it is the management of Sakhalin Energy's conscious ignorance of environmental risks in the initial phase of project implementation that has led to its current suspension."

On October 19, Rosprirodnadzor deputy chief Oleg Mitvol sent a letter to Sakhalin Energy CEO Ian Craig, asking him either to confirm or deny information contained in confidential e-mails from Shell natural gas field manager Hans Bouman to Engel Van Spronsen, then Sakhalin Energy technical director in 2002. Copies of the e-mails were forwarded to Rosprirodnadzor from John Donovan, a Shell shareholder and the owner of a website providing news on Shell.

In his letter to Van Spronsen, Bouman asked about the chances of reactivating faults if the wells were drilled through them at the Lunskoye field.

He proposed a separate solution that would avoid drilling through the faults at angles deviating greatly from the vertical.

In another e-mail dated November 8, the Sakhalin Energy technical director said that reports claiming restricted access for personnel to the platform were not true because the program for the development of the Lunskoye and Piltul-Astokhskoye fields allows employees to work on the platforms round-the-clock. The plan also provides for supply ships capable of servicing the platforms year-round.

The wells' trajectories were designed to prevent violations in impermeable formations, the letter said, adding that the possibility of reactivating faults is insignificant.

According to the letter, Sakhalin Energy successfully drilled an test well 200 meters from the platform, which helped draw up designs for the first eight wells to be drilled on the Lunskaya-A platform at the Lunskoye field.

In 2004, the Russian technology watchdog confirmed the conclusion regarding these projects' industrial safety. Rosprirodnadzor issued an ecological approval to these projects on August 11, 2006.

Sakhalin Energy has itself suspended work only at the Makarov region in south Sakhalin because "some sub-contractors were not following the technical decisions and conditions of license agreements," but Rosprirodnadzor has also complained about work in the Dolinsk region.

The Sakhalin-2 project, which is being implemented on production-sharing terms, envisions developing the Piltun-Astokhskoye and Lunskoye fields, the recoverable reserves of which are estimated at 150 million tonnes of oil and 500 billion cubic meters of gas. Oil and gas pipelines are to be built during the second stage of the project.

Sakhalin Energy's shareholders are Royal Dutch Shell (55%), Mitsui (25%) and Mitsubishi (20%).

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