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Kremlin attack dog vows to take on Shell in the battle of Sakhalin

The struggle to wrest control of resources from western companies is the backdrop to tension in Russia and Africa**Tom Parfitt in Yuzhno-Sakhalinsk**

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It was a face-off that seemed to encapsulate the growing conflict between a bullish Kremlin and the foreign oil companies working in Russia. On one side was Oleg Mitvol, 6ft 2in and dressed in a black coat, the Kremlin's attack dog leading the charge against the vast Sakhalin-2 oil and gas development off Russia's far east coast. Mr Mitvol has vowed to do "everything in his power" to stop the project and force an environmental clean-up. Against him: Mike D'Ardenne, 200lb bearded Australian oilman in a hard hat, representing the foreign consortium led by Shell which is running the \$20bn (£11bn) project.

"Look, you can't come on this boat because we don't have enough safety equipment for all of you," said the man from Adelaide. Mr Mitvol drew himself to his full height and stabbed an angry finger at Mr D'Ardenne's chest. "This is the Russian Federation," he boomed. "You haven't bought it yet. I am the deputy head of a government agency and I decide what happens here. This vessel leaves now. And if there isn't enough space, then get off."

In a roadshow at times reminiscent of high farce, Mr Mitvol last week led a posse of journalists, ecologists and one confused-looking South Korean diplomat on a breakneck tour of alleged environmental violations committed by Shell and its Japanese

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partners in Sakhalin Energy.

Prizefighter

No effort was spared to expose the rot. The group, including the Guardian, was flown from Moscow 6,000 miles east to Sakhalin island in a chartered Ilyushin jet with leopard-print seats.

"You must see with your own eyes how Shell is destroying our nature," said Mr Mitvol, a former associate of the oligarch Boris Berezovsky who has emerged as the Kremlin's prizefighter in an increasingly nasty scrap with foreign oil and gas companies. He has claimed the cost of correcting the alleged mistakes on Sakhalin could be as high as \$50bn, and promised a criminal case for every illegally destroyed tree.

Last week, the ministry of natural resources revoked a 2003 environmental permit for the Sakhalin-2 project, which is still under construction. The move, yet to be fully approved by other state bodies, could freeze the development, adding billions to its cost. A month-long environmental investigation is under way to determine how Shell can make amends for alleged damage.

Shell denies mismanagement and western governments have protested, with diplomats saying privately that it seems a ploy to persuade Shell to hand Russia's state gas monopoly, Gazprom, a generous slice of the project in an uneven asset swap.

Other foreign energy companies have also been accused of ignoring rules to protect nature, raising suspicions that the Kremlin had decided that environmental permits are a new mechanism for putting pressure on uncooperative foreign partners.

Russian officials are furious that companies such as Shell have refused to renegotiate production-sharing agreements struck in the early 1990s when the country was poor and obliged to accept unfavourable terms. Under the Sakhalin-2 agreement Shell can recover all project costs - an estimated \$20bn - before it begins to share profits with the Russian government.

Moscow's sudden eagerness to protect the environment has brought it some unlikely bedfellows: the ecologists who usually criticise the Kremlin. "We are prepared to be prostitutes with anyone if the end result is protection of the environment," said Igor Chestin, head of the World Wildlife Fund's Russia branch, who joined the trip and acknowledged the removal of Sakhalin Energy's permit "was probably linked to Gazprom".

One theory is that Gazprom wants to get its hands on shares in regasification plants owned by Shell in the United States - where liquefied natural gas is heated to turn it back into gas form.

Environmentalists say Sakhalin-2 construction work has disrupted the only

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known feeding ground of the western grey whale, damaged mature forests and caused the death of wildlife. The first stop on Mr Mitvol's trip was Aniva Bay on the southern tip of the island after the incident with Mr D'Ardenne was resolved by a phone call from the Sakhalin Energy chief executive, Ian Craig.

Landslide

Divers on the boat claimed Shell had illegally dumped a million cubic metres of waste in the bay as it deepened one section to provide access for tankers to service the LNG plant being built on shore. "All kinds of sea creatures have been totally destroyed," said Dmitry Lisitsyn from Sakhalin Environment Watch.

Next stop was 35 miles from the island's capital, Yuzhno-Sakhalinsk, where the path of Shell's pipeline from its platforms further north gouged a huge swath through a forested hillside. Ivan Blokov, Greenpeace campaign director for Russia, said the pipeline corridor was four times wider than agreed and landslides had blocked a stream for spawning fish - something repeated at approximately 100 other waterways along the route. "This is a catastrophe."

As he spoke, Joshua Ogunyannwo from Nigeria, the construction engineer for Sakhalin Energy's onshore pipelines, was ambushed by Mr Mitvol. Surrounded by excited ecologists and officials, Mr Ogunyannwo admitted there was "a little problem with a mudslide" on this section, but claimed it was "work in progress" and not typical of the rest of the route.

Sakhalin Energy officials had earlier dismissed Mr Mitvol's trip as a "pleasure tour" and said they were continuing work as usual, having received no notification to halt their activities.

Mr Mitvol was unrepentant. "After what I have seen here, I am going to do everything in my power to stop this project and force Shell to put right its mistakes," he said.

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