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19 November 2006

Attention Mr Oleg Mitvol
Deputy Head Rosprirodnadzor
Moscow
Russia

From John Donovan

Dear Mr Mitvol

Royal Dutch Shell Sakhalin II project

I read with great interest the article published by the Argus Weekly Petroleum newsletter containing an interview with you. I have reprinted it below in case you have not seen it yet.

If you wish to confirm the legitimacy of the Shell internal emails referred to in the comments attributed to you in the article, please contact Benoit Faucon, a journalist with Dow Jones & Company, Inc. It is my understanding that Mr Faucon has seen both emails and verified the authenticity with the authors in question (one of whom according to my sources threatened legal proceedings if his email was published in its entirety). Mr Faucon may be prepared to confirm to you the authenticity of the emails.

I have independently verified the authenticity of both emails and would provide an affidavit confirming this fact if so requested by you. I can also testify that in my experience, Shell senior management has a deeply ingrained corporate culture of cover-up and deceit. These ethical flaws were responsible for the reserves scandal and the Sakhalin II debacle. Over half the board members of Royal Dutch Shell Plc are Defendants in the global class action lawsuit alleging fraud in relation to the reserves scandal. This is a fact supported by court documents.

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The above is the normal office telephone number for Mr Faucon. However, **he is on vacation until 24 November** but can still be reached via his mobile +44 77 601 777 36, or by email on B_faucon@hotmail.com

I may also be able to put you into direct contact with a Shell Insiders who have knowledge of these matters. However, I will not approach them unless I hear from you.

We are assisting because some ethical issues supersede commercial interests. I refer to the potential of an environmental calamity of unprecedented consequences, including a disastrous impact on the endangered Gray Whale population. I also believe that it would be wrong for Shell to be allowed to profit unfairly at the expense of the Russian people, as it has in regard to ordinary Nigerians. The vast majority still live in abject poverty and in a horrifically polluted environment, despite the tens of billions of dollars earned by Shell in Nigerian oil revenues over the decades.

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You have my fax number.

Yours sincerely



John Donovan

THE ARTICLE

Oleg Mitvol, the outspoken deputy head of Russia's environmental watchdog, Rosprirodnadzor, tells Argus he has proof that Shell management covered up environmental damage at Sakhalin 2 — and plans to prosecute.

Sakhalin Energy, operator of the Shell-led Sakhalin 2 project, says it has sorted out all the environmental criticisms raised by Rosprirodnadzor and that there are no grounds to revoke its permits. Do you agree? Sakhalin Energy has agreed that all our complaints are legitimate but they have only addressed the problems in the Makarovsk region, where construction of the pipeline has been suspended. To address all of our criticisms they will need to clean the Aniva bay on the south end of the island — which has been destroyed by Sakhalin Energy — introduce fish there and plant new trees.

Do you think that this will be possible for them? No, I do not believe that it is possible.

Is it possible to find a compromise? According to the Sakhalin 2 production-sharing agreement [PSA], all disagreements between the investor and the state should be settled in Stockholm. The only way to find any sort of compromise will be through international arbitration in Stockholm.

Who will take Sakhalin Energy to court? I will take them. I have documents proving that the Sakhalin Energy management was aware that the company violated technical standards, but carried on trying to meet project deadlines and refused to stop work. I am confident of winning my case in Stockholm.

What documents are these? Where are they from? I have email correspondence between executives in Sakhalin Energy management from 2002. I received these letters from John Donovan, owner of the anti-Shell website www.royaldutchshellplc.com. I received them on 19 October and forwarded them to Sakhalin Energy with a request for an official reply. But I have not received any reply so far. I presume that they are in shock.

How could you prove that these documents are genuine? They appear genuine and we have special services working to prove this. Once they have been verified, we will have enough evidence to take Sakhalin Energy to court. If we win, the Sakhalin 2 consortium should pay compensation for all the environmental damages — which will come to over \$10bn — as well as compensation to the state for loss of revenues caused by the additional delays.

Where did you get the figure of \$10bn from? This figure was calculated by a group of experts, including Rosprirodnadzor. It is a rough figure. In November, we will set up a special commission comprising Russian and international experts to assess the cost of damages.

Do you think that environmental approval for Sakhalin 2 will be revoked? I do not know. Sakhalin Energy has a strong lobby in the government. The fact that Rostekhnadzor [Russia's technical watchdog] is reluctant to sign the document to revoke the environmental approval supports this view.

Rosprirodnadzor has stepped up its investigations into oil companies in Russia. Why is this happening? In late September, natural resources minister Yuri Trutnev met President Vladimir Putin. They concluded that many oil companies have not developed all of the fields for which they have licences, and this means that the state receives less tax revenue. Many companies are doing all they can to win as many new licences as possible to increase their capitalisation without any thought of developing them. Companies find it very easy to persuade officials to renew these licences. We think that this should be stopped.

Why have you started with Lukoil? Was the audit timed to coincide with the company's annual presentation in New York on 18 October? Ivan Blokov from Greenpeace told us that Lukoil and TNK-BP had committed the most serious environmental violations in Russia — the former at its fields in the Komi autonomous republic and the latter at Samotlor in west Siberia. There was no connection between the timing of our audit and Lukoil's presentation in New York.

Blokov says TNK-BP has invested a lot of money to sort out the problems in Samotlor. I hope that this is true. We want to encourage oil companies to care about nature.

How can Rosprirodnadzor do that? We have to make sure that companies develop their projects in accordance with their licence agreements and do not damage the environment. If we do find violations, we recommend that the licensing commission, led by Rosnedra [Russia's agency for subsoil use], revoke that firm's licence.

Could you give examples of when licences were revoked? Last year, around 80 licences were revoked.

And that followed complaints from Rosprirodnadzor? Yes.

Rosprirodnadzor has asked Rosnedra to revoke Rosneft's licences in Sakhalin. Are you going to audit more of Rosneft's fields? Yes. I do not want to name the fields now. But I am confident that all oil companies will be audited in the next two years.

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