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Memorandum submitted by WWF (ECDG08)

WWF welcomes the opportunity to contribute to this inquiry. The evidence we submit includes responses to the specific questions posed by the Committee. As the Committee is undoubtedly aware, a number of recommendations from its 2003 inquiry into ECGD still remain unresolved.

1. How effectively does decision making by ECGD take into account sustainable development concerns? What evidence is there that sustainable development is treated as a priority? Where should sustainable development rank in ECGD's priorities? How successfully is Government policy on sustainable development communicated to ECGD and implemented in its work?

It is not clear to WWF how exactly ECGD takes into account sustainable development concerns except to pay lip service to them in its publications and communications. It is certainly not treated as a priority. ECGD's mission statement declares among its objectives 'to operate in accordance with its Business Principles, so that its activities accord with other Government objectives, including those on sustainable development, human rights, good governance and trade'. However the ECGD Sustainable Development Action Plan 2007 (SDAP) states that sustainable development is a 'secondary' duty relative to its duties under the 1991 Export and Investment Guarantees Act. We appreciate that according to this Act the function of ECGD is to facilitate UK exports and not primarily to promote or fund sustainable development. In carrying out its facilitative functions, however, it can either operate in a manner that is conducive to sustainable development, or in a manner that consistently undermines it. ECGD's operations too often achieve the latter.

It is this government's stated intention to actively work towards achieving sustainable development. In November 2007 Prime Minister Gordon Brown consolidated the UK position in a speech hosted by WWF "the role of government from now on is transformed. Once government objectives were economic growth and social cohesion. Now they are prosperity, fairness and environmental care. And it falls to this generation to show that we can meet and master the challenge of combining economic growth and environmental stewardship with social justice."

Sustainable development is no longer a 'secondary' objective for this Government. It makes little sense that it is for ECGD. The Act governing ECGD was created during the era when government objectives were indeed economic growth and social cohesion. If the statute for the department were written now, given the considerable consequences that the activities of ECGD potentially have for sustainable development, it would certainly include a duty to have due regard for sustainable development. WWF believes sustainable development should be a priority for all government departments. ECGD appears to have been forgotten in the government's attempts to integrate sustainable development into the activities of its various departments.

At present it is difficult to see how ECGD is operating in accordance with wider government objectives on sustainable development. To illustrate we would like to draw attention to certain statements from various government departments and documents.

UK Government Sustainable Development Strategy 'Securing the future: Delivering UK Sustainable Development Strategy' (2005)^[1]

"The Government will look at ways to ensure that UK financial assistance to developing countries maximises opportunities for adopting low and zero carbon technologies"

"where, firstly, there is a risk of significant adverse environmental effects occurring and secondly, any possible mitigation measures seem unlikely to safeguard against these effects, the precautionary principle will be adopted. Where evidence exists of likely harm to ecosystems or biodiversity, we will adopt practices that avoid irreversible damage."

[emphasis added]

Taking ECGD's consideration of the Sakhalin project as an example, there is no evidence that a precautionary principle was adopted despite clear and unmitigated risks to a number of endangered species. ECGD gave a conditional offer of support and was still prepared to consider offering final support when Sakhalin Energy Investment Company (SEIC) withdrew its application. If ECGD had been operating a precautionary principle in accordance with the Government's sustainable development strategy it should have rejected the application on the grounds that the mitigation measures that SEIC implemented did not comply with the best scientific recommendations. The amount of time that had elapsed and the advanced stage the project had reached indicated that these risks would not be fully mitigated. As ECGD is not the project operator, if constructive engagement is not delivering the necessary improvements, its only option for implementing this principle is to reject the application. Please see Annexes I and II on the Sakhalin II project for further information on the project and WWF's concerns surrounding ECGD's handling of the application.

Energy white paper 2007^[2]:

"The UK will... drive investment to accelerate the deployment of low carbon energy technologies; and promote policies to improve energy efficiency, to cut emissions and reduce our dependence on fossil fuels"

*"The Government's aim is to speed the development and deployment of sustainable and affordable low carbon technologies which can help cut carbon dioxide emissions. Our strategy, both nationally and **globally**, is based on:*

- *building credible long-term policy frameworks for tackling climate change to provide clear long-term signals to industry which will shape their investment decisions"*

"All UK Government Departments share responsibility for making sustainable development a reality."

[emphasis added]

In light of the large proportions of aerospace and hydrocarbon intensive projects in ECGD's portfolio, ECGD is sending a signal to industry that the government is prepared to support further investments in highly polluting activities, not that it encourages renewable energy and a low carbon future. With its current mandate and function ECGD has limited capacity to proactively alter its portfolio. However its total disregard for the implications its activities have on climate change is unacceptable.

In its Sustainable Development Action Plan 2007 ECGD states "The UK Government's formal position on climate change is stated in "Climate Change, The UK Programme 2006" presented to Parliament by the Secretary of State for the Environment, Food and Rural Affairs in March 2006; this does not refer to ECGD." ECGD uses the absence of a direct reference to the department in this document to divest itself of any responsibility to recognise the impacts of its portfolio on climate, or take account of government policy on this issue. It is a notable example of ECGD's attitude to taking wider government policy on aspects of sustainable development into account. WWF would also note that ECGD does not appear to consider the risk climate change poses to its activities. Climate change regulation would further restrict the market for fossil fuels, whilst at a more practical level power generation assets could be at risk of flooding or restricted water supply depending on their location.

When challenged on its record, ECGD often cites its reactive position - namely that it is not at liberty to change the way in which it

operates. The department is required to follow its duties as set out in the statute and it is the responsibility of the Secretary of State to make changes to ECGD's overall mandate. However this does not preclude ECGD from improving its procedures or making suggestions. In order to provide absolute clarity, WWF would advocate a statutory change to the Act governing ECGD and call on the Secretary of State to make appropriate changes to ECGD's current procedures to ensure that the Government's various sustainable development objectives are properly communicated to ECGD and fully integrated into its activities.

The Sustainable Development Commission (SDC) in commenting on ECGD's 2005 preliminary draft of their SDAP stated "*The plan recognises the need to increase staff knowledge of sustainable development but does not explore what steps ECGD will take to achieve this. It was explained in the bilateral that all new staff are trained to use ECGD's Business Principles, which include a sustainable development element, as part of their induction package. The Commission would expect to see future plans set out clear actions to develop staff awareness and capacity so that staff can fully reflect Securing the Future's priorities and principles in their work, particularly civil project assessment.*" [3]

In the SDC's recent report on the sustainable development performance of government departments ECGD is given a 4 (out of a possible 5) star rating. By improving by 4 stars it is technically the most improved but from a starting point of 0. Many of the other departments got worse in a number of areas, so it is more a reflection on how poorly government as a whole performed than on ECGD being particularly outstanding. Importantly the ratings are predominantly focussed on the internal operations of ECGD. It is the projects that ECGD supports which constitute the overwhelming portion of its sustainable development impact.

However, the only rating that would include reference to ECGD's projects is the assessment of the operationalising of the department's SDAP - and this is not disaggregated to determine what progress has been made in the specific area of the sustainable development impact of projects. Interestingly this is based on the department's self-assessment of progress and ECGD scored itself just 4/10. The rating given in the SDC report was 'Some progress - but not sufficient to meet targets'. This is below the performance of most other departments (although as a self-assessment it is somewhat subjective). However it indicates that ECGD themselves do not consider that sustainable development is sufficiently embedded in the operations of the department.

At present ECGD's reporting on its activities with regard to sustainable development tends to focus on actions taken to improve social and environmental standards for ECAs multilaterally. ECGD does not report on the cumulative sustainable development impacts of its portfolio. By comparison the Danish ECA, EKF, produces an annual environmental report detailing the net contribution of all the projects it supports to sustainable development. WWF would advocate ECGD similarly reporting on the sustainable development impacts of the projects it supports in order that their overall performance in this area can be assessed.

2. Do ECGD's Business Principles make adequate provision for sustainable development? What evidence is there that the Business Principles are carried through into practice, and cover all aspects of ECGD's work? Does the ECGD have any targets for sustainable development and what form should these targets take?

Perhaps WWF's most fundamental criticism of the Business Principles is the implementation gap. The absence of a specific mention of climate change also appears a major oversight. Given ECGD's reluctance to address climate change under the broader sustainable development umbrella, it would seem prudent to make specific reference to this in ECGD's processes. An announcement from the G8 meeting of finance ministers in Osaka on 14th June 2008 states

'We call on the MDBs, in cooperation with other institutions, to develop common methodologies for measuring carbon emissions and other environmental impacts from projects they finance and to establish a joint benchmarking, monitoring and reporting system. We will consider using these common methodologies for our bilateral assistance and export credits, and ask the private sector to follow our example.'

The time has clearly come when export credit agencies cannot ignore the need to consider the climate impacts of their actions. This should be reflected in ECGD's Business Principles.

We would highlight some specific aspects of the Business Principles that are not adequately carried through in practice, which are not covered in other sections of this evidence:

Firstly it states "*We will promote a responsible approach to business and will ensure our activities take into account the Government's international policies, including those on sustainable development, environment, human rights, good governance and trade.*"

As outlined with examples above, it does not appear that ECGD is active in taking into account the policies of wider government on sustainable development.

Secondly "*We will provide a customer oriented, efficient and professional service and we are committed to continuous improvement.*"

To an extent it is right that ECGD is customer oriented given its function to facilitate exports. However, as was demonstrated in 2004 with ECGD watering down its anti-corruption procedures in the face of pressure from a number of its customers, being too customer-focussed will not necessarily deliver the best outcomes for sustainable development and fulfilment of its Business Principles. In the case of the recent liberalisation of its foreign content rules, ECGD sought to investigate the concerns about standards in supply chains raised by NGOs after the changes in the rules had been enacted. We are pleased that ECGD is looking into these issues. However, the sequencing of these concerns being addressed after the demands of business have been satisfied indicates that priority is accorded to customers at the expense of sustainable development concerns.

ECGD's previous limit for foreign content was 15%. Its consultation document proposed 50%; the new provisions allow 80%. This means that only 20% of the value of a contract has to have a British element. This 20% could quite easily be an "arrangement fee" for a British registered enterprise, who then subcontracts the work overseas to source cheaper labour and materials. WWF considers that this fundamentally changes the nature of ECGD's business in several ways. Firstly, the support is no longer aimed at activities which are primarily British businesses, so the potential domestic benefits of ECGD in terms of jobs and revenues are reduced. Secondly, ECGD is opening the government up to a wide range of supply chain risks, which have not been considered in this move. ECGD has not explained what extra measures, monitoring or capacity it has to ensure compliance with environmental and social standards in the supply chain, and to protect the government and taxpayers from increased risk exposure.

Although the Case Impact Analysis Process (CIAP) has been introduced and the Bribery & Corruption rules eventually improved, WWF would also question the extent to which ECGD is achieving *continuous* progress on its Business Principles and sustainable development outcomes. Certainly the Principles agreed in 2000 themselves have not been reviewed to enable such improvement despite indications from ECGD that this would happen as far back as 2004. In the minutes of meeting of EGAC and NGOs on 23 August 2004 it states "*Mr Allwood said that he was developing proposals for a review of the Statement of Business Principles and, in parallel, the development of a sustainable development strategy for ECGD...The upcoming consultation and review of the Statement of Business Principles would be an opportunity for views to be expressed on specific issues.*"

In a similar meeting in 2006 the minutes state "*The Chairman reviewed the intended follow up to the last meeting. He confirmed that the Review of Business Principles had been delayed due to the public consultation on ECGD's proposed anti-bribery and corruption rules.*" Since then there has been no further indication of when this review will take place. However, the following parliamentary question tabled by Mike Hancock MP and response by Rt Hon Malcolm Wicks MP indicates that the Government has quietly dropped its intention to review the Principles in spite of the fact it is now eight years since their inception:

Export Credits Guarantee Department: Standards

Mr. Hancock: To ask the Secretary of State for Business, Enterprise and Regulatory Reform what plans he has to review the business

principles of the Export Credits Guarantee Department; and what progress has been made in developing proposals for a review. [206456]

20 May 2008 : Column 255W

Malcolm Wicks: *There is no plan to review ECGD's business principles in the immediate future.*

WWF would welcome a review of the Business Principles to address issues of both content and implementation measures.

Thirdly "ECGD will press for reform on sustainable development and human rights issues in relation to export credits." It would be helpful for ECGD to have clear targets as to the reforms it is pursuing in order to ensure that this principle is implemented. Furthermore we would note that many of the reforms relating to sustainable development including common approaches on the environment and productive expenditure policy have come as a result of unilateral improvements by a particular ECA which then had an incentive to actively push for reforms at OECD level. WWF would suggest that ECGD may be likely to lobby most effectively for reforms if it had those policies in place itself.

Fourthly "establish a mechanism for consulting other interested government departments on cases with significant project impacts". ECGD does ask relevant departments such as DEFRA and the FCO for input on high impact cases. The quality and extent of these consultation procedures and responses that are deemed sufficient is less clear. What is of great concern to WWF is how the ECGD takes the views expressed in these consultations into account in its decision-making process. Earlier this year, through a Freedom of Information request by Friends of the Earth (FOE), the responses from DEFRA and FCO to the notification by ECGD of the Sakhalin II project were eventually made public. This was despite ECGD repeatedly declining to disclose the information and an appeal by government to prevent disclosure.

DEFRA's response concluded 'Our preliminary view on this project is that the potentially devastating effects of this project on the local environment and in particular on an endangered population of whales and biodiversity in a sparsely populated region are not compensated for by the positive effect of this project on the **global climate** (supplying primarily gas to a region that is currently dependent on coal for its energy needs). Extract from DEFRA response to ECGD, 14 March 2003.

It appears that ECGD gave a conditional offer of support, and continued to consider the project for final support in spite of these concerns, which would have continued to be valid given the insufficient actions undertaken by SEIC to mitigate against these risks. WWF therefore questions the efficacy and transparency of the current mechanisms for consulting other departments and incorporating their concerns into the decision-making process.

Fifthly "engage with all stakeholders to discuss ECGD's policies, products and practice". WWF would question the level of engagement that ECGD seeks with stakeholders other than its customers. Although the Export Guarantees Advisory Council (EGAC) meets intermittently with NGOs, ECGD is rarely active in meeting to discuss NGOs concerns. In the past year WWF have requested meetings on a number of occasions to meet with ECGD as well as the Secretary of State for ECGD and the Treasury. These requests have not been accepted. WWF has also offered on a number of occasions to update ECGD on its concerns relating to Sakhalin but ECGD has not considered this a valuable use of its time. In March, NGOs were invited to meet with ECGD's CEO but on the basis that they did not raise issues concerning ECGD's current projects but instead came to discuss how ECGD could work with NGOs. WWF would hope that ECGD will formalise the mechanisms through which it will engage with NGOs and other stakeholders going forward.

Such targets as ECGD has for sustainable development are represented in the department's Sustainable Development Action Plan 2007. However the targets for improving the sustainable development standards of its projects are entirely soft targets such as 'Progress Sustainable Development Standards on a multilateral basis'. There are no specific targets as to exactly what improvements ECGD will be seeking to achieve. Nor does ECGD have indicators by which to measure the sustainable development impacts of its projects, the effectiveness of its constructive engagement approach in reducing the negative impacts of projects, or monitor its progress on achieving these soft targets.

In 2003 the Committee recommended that ECGD should develop indicators to measure its impact on project quality. Government responded that David Allwood, the Head of the Business Principles Unit had carried out a thesis to develop such indicators which were being considered. In July 2004 EGAC discussed the indicators and appeared positive about developing them further^[4]. To the best of our knowledge, no project oriented sustainable development indicators having been promulgated. The thesis is available on ECGD website.^[5]

We are interested to note that according to this thesis on sustainability indicators for ECGD done by the Head of the Business Principles Unit, ECGD informally uses a 'weak sustainability' model when considering the sustainable development implications of its projects. This interpretation implies that the five forms of capital - human, financial, natural, social, manufactured - are fully substitutable for one another i.e. reduction or damage to one form of capital such as the environment can be compensated for by increase or improvement in another. This approach does not really stand up to scrutiny - to paraphrase environmental economist Herman Daly you cannot build the same house with more saws and less wood. To take Sakhalin as an example, it is not acceptable to put a price on the extinction of a species of whale, trading profits against a priceless species. WWF would be interested to know if this approach to sustainable development is consistent with that of wider government. We would welcome the introduction of appropriate indicators against which to measure ECGD's sustainable development impacts and encourage reporting against indicators developed to judge the impacts of ECGD supported projects.

3. How satisfactory are the case screening procedures and impact assessments carried out by ECGD? Do environmental and social concerns receive appropriate consideration in these assessments? Are the environmental assessment procedures accurate and consistent? What evidence is there that the results of impact assessments have a significant bearing on ECGD decisions?

ECGD's procedure for assessing the environmental and social impacts of its projects is through its Case Impact Analysis Process (CIAP). Our fundamental concern is that the application of this process remains discretionary:

Para 2.1 states: "This paper provides an outline of the Case Impact Analysis Process that is usually followed by the BPU (Business Principles Unit) in relation to civil, non-aerospace, transactions. It is not a statement of what will be done in every case

Para 2.8: "Projects that do not meet the relevant international standards will normally be considered unacceptable. ECGD's approach in these circumstances is to engage the exporter and/or the project developer in discussions with the objective of raising the project standards to an acceptable level".

[emphases added]

Unfortunately this right of discretion is not just an extreme safety net. In the case of Sakhalin, in response to a submission by WWF which outlined breaches in international standards, ECGD responded 'ECGD's own policy as set out in the CIAP gives ECGD a discretion to provide support even where a breach of international standards has been identified.'^[6] We do not believe that the degree of discretion which ECGD seeks to reserve itself is acceptable or can be justified.

The CIAP also states:

Para 10.2: "Where applicable, ECGD will take account of the commitments made by the UK Government at the World Summit on Sustainable Development in Johannesburg in September 2002. Those of most relevance to ECGD's operations, and therefore to projects seeking ECGD's support, include commitments towards:

greater natural resource efficiency and a reduction in unsustainable consumption and production patterns ;

increasing the generation of energy from renewable resources, a more efficient use of energy and increasing access to energy;

significantly reducing the rate of loss of biodiversity on land by 2010 and a halt to biodiversity loss at sea;

reducing poverty levels and improving access to energy, sanitation and clean water;

promoting best practice in corporate responsibility and accountability, and a recognition of the importance of public participation in decision-making and access to environmental information."

We are not convinced that the ECGD should still have been considering supporting Sakhalin II if it was committed to halting biodiversity loss at sea given the risks to the endangered Western Pacific Gray Whale. Again the implementation of ECGD's stated policies appears questionable.

A further issue is that on average less than half of ECGD's portfolio is covered by the CIAP. The sustainable development impacts of sharp arms defence and aerospace are not assessed by ECGD. Despite various select committees recommendations to include these sectors under the CIAP, ECGD insists on ignoring the impacts of the majority of its portfolio. WWF advocates the inclusion of all defence and aerospace projects in ECGD's screening procedures. The Export Control Organisation's (ECO) licensing system, through which ECGD states the sustainable development impacts of defence exports are considered, does not take into account environmental impacts when granting licenses to export. On other sustainable development issues the ECO consults with DFID. Given the absence of account taken of DEFRA's response on Sakhalin highlighted earlier we would suggest that ECGD not assume that other department's consultation procedures or assessments will be reliable and therefore should assess the impacts of defence projects themselves.

In terms of the aviation sector, ECGD has supported the supply of nearly 300 aircraft in the last 5 years - the equivalent of more than BA's entire fleet. By only requiring compliance with these international standards ECGD does not address cumulative impact of its support for the aviation sector. Compliance with international regulations on noise and emissions means only that ECGD is supporting legally compliant aircraft, as one would surely expect from a government department. There is no evidence of requirements from ECGD for aircraft supported to go beyond regulatory compliance, despite the rapidly growing contribution of aviation to **global** warming. Adherence to only the International Civil Aviation Organisation standards reveals nothing of the social, developmental or human rights consequences that such exports may have in the buyer country nor about the effect they may have on the local or regional economy - issues that would be covered by ECGD's existing case impact screening. For the above reasons, ECGD should assess all projects under its own CIAP.

4. How satisfactory is the level of information disclosed by ECGD about existing projects and projects under consideration? What information should be disclosed, and how and where should this information be made available? How can the commercial interests of industry be reconciled with the need for transparency?

The Business Principles state: *"ECGD will be as open as possible, whilst respecting legitimate commercial and personal confidentiality."* We would strongly challenge that this intention is implemented in practice. The experience of WWF, and many other NGOs, is that ECGD remains fundamentally and indefensibly untransparent. Many requests for information under the terms of the Freedom of Information Act are delayed beyond the required period for response and information is often not eventually disclosed. When FOE pursued the case on Government responses to Sakhalin to tribunal, ECGD's basis for non-disclosure was found to be wanting, and the information was released. This is an indicator that ECGD's policies on disclosure are not consistent with the true requirements under the Freedom of Information Act.

WWF made a number of requests regarding the Sakhalin II project. Some of these were simple factual requests, regarding progress on the project or monitoring reports. Worryingly ECGD was not able to provide this kind of information as the department did not hold it. This suggests that the department was not even closely following the development of the project, despite its claims that it is actively involved in improving the projects it considers for support.

WWF further tried to ascertain to what extent ECGD was engaging with the company on the key issues on the project, and how it was influencing the outcome. ECGD continually refused to provide any evidence of its responses to earlier drafts of consultants' reviews of the Sakhalin II project, and its responses to other UK government departments. ECGD's reasons for withholding the information were that the material was in draft form. Recent requests for lists of outstanding areas of non-compliance on the Sakhalin II project exposed that ECGD had no such ongoing assessment - ECGD stated that after four years its due diligence was still in progress.

The environmental issues WWF was requesting information about were fundamental to the project. For example ECGD's assessment of the measures to protect the critically endangered Western Gray Whale. WWF does not understand how any such information can be considered commercially sensitive. ECGD claimed other reasons for not disclosing the information, yet WWF believes the public interest in how a government department is dealing with such an issue outweighs other concerns. This is not the position of ECGD.

The overall approach of ECGD to providing information on environmental matters is contrary to the principles of the Environmental Information Regulations, which require that "A public authority shall apply a presumption in favour of disclosure".^[7] ECGD has rejected requests for information several times because it believes the information requested is not completed, or in draft form. This position prevents ECGD from engaging in any meaningful consultation on important environmental issues. If ECGD is only willing to release information once matters are signed, sealed and finalised, then it is preventing any consultation taking place at a time when it can be effective in contributing to the outcome. Furthermore, this contributes to the opacity of procedures, as raised early in this submission, making it impossible to ascertain how ECGD has incorporated the views of others or had an influence on a project.

Experience of the overall FOI process has the effect of discouraging stakeholders from making further requests. First of all the initial consideration of a request is made by ECGD, which frequently takes longer than the required 20 working days. If one then requests an internal review, this can take months - the most recent example (ECGD Internal Review (IR(07)06)) took seven months. One could then raise the case with the Information Commissioner, and if not satisfied with the outcome, take the case to the Information Tribunal, which takes more time, and then either side could appeal the outcome. This has been demonstrated by the efforts of Friends of the Earth to obtain the responses from other government departments to the ECGD's notification of Sakhalin II as a sensitive case. After three years and winning the case in the Information Tribunal and again winning against appeals by ECGD, the request was supported and ECGD had to release the information.^[8]

Given the time-sensitivity of information relating to cases being considered by ECGD, it is not acceptable that this tendency to withhold information persists. Furthermore it requires significant resources from those seeking the information. ECGD meanwhile engaged Queens Counsel to defend its position in the recent appeals against FOE, deploying significant resources at the taxpayers' expense to repeatedly lose the case.

In 2003 the Committee questioned the proportion of business ECGD allowed to remain undisclosed due to commercial confidentiality. Although it may have only been only 3 exporters who required confidentiality in 2002/03 over the last five years, in value terms, over 50% of ECGD's total business has not been listed. We agree with the Committee's initial recommendation that requests for commercial confidentiality should be rigorously assessed to ensure the highest degree of disclosure possible. Where commercial confidentiality does justly apply, ECGD should seek to publish any details of these transactions that would not contravene such confidentiality and as soon as the applicability of confidentiality expires, as it often does when a contract is complete for example, ECGD should publish details of these guarantees retrospectively.

The reason ECGD gives for insurance transactions not being disclosed is to avoid host countries defaulting on repayments in the knowledge that the investor or exporter is insured. We would question the basis of this assumption and seek a full justification of this

claim. ECGD's current practices go against the spirit of its business principles which state that ECGD will "*routinely seek more information about the business it supports with a view to publication*" and "*expand the information it publishes regarding its financial performance, business activities and the application of its Business Principles.*"

Overall WWF experience suggests that while the stated transparency procedures have improved, the nature of ECGD remains one of secrecy.

With regard to cases with environmental impacts that may be of concern to stakeholders, ECGD continues to publish details for only high impact cases on its website. The inadequacy of ECGD's policy not to list all details and assessments of high impact projects including environmental and social impacts has been exemplified recently with the attempts by The Corner House to access the impact assessments for the Jindal Steel project in Orissa named on ECGD's website. Despite contacting the company at the address provided The Corner House has not been able to easily obtain copies of the environmental and social impact assessments. ECGD have responded saying that only rapid environmental assessments exist, and a full package according to World Bank standards is not yet available. We would question, given the difficulty in accessing these documents, whether ECGD has anything other than the company's assurance that affected people have had suitable access to these documents and been appropriately consulted. In order to ensure that such documents are available direct links to these documents should be included on ECGD's website and ECGD should be rigorous in ensuring that they are made available in the project location.

WWF would also advocate listing medium impact projects. There appears to be no independent or public scrutiny of ECGD's categorisation process. Listing both high and medium impact projects would allow this to take place before ECGD commits to supporting a project. Disclosure of a summary of the assessments made by ECGD in its decision on categorisation for each project and publication of the case specific assessment procedures and monitoring processes that will be undertaken in light of this categorisation should be published in order that the accuracy of ECGD's categorisation and the fulfilment of required assessments can be sufficiently scrutinized. We would also advise that ECGD's procedures be assessed in order to ensure compliance with the terms of the Aarhus Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters, to which the UK is a signatory.

5. How effective is ECGD's 'constructive engagement' approach? What evidence is there that ECGD involvement has led to significant changes in either the design or implementation of the project? What evidence do we have that ECGD intervenes on environmental or social grounds as a matter of priority? What conditions would lead to a project being rejected on environmental grounds? Are ECGD's standards in line with international standards?

WWF believes that whilst constructive engagement may be used to improve a project prior to design and construction, beyond this there are limited changes that can be made. The timing of this engagement is therefore critical. Furthermore it is essential that an engagement process is not used to lower the standards required. Principles and standards must still be applied, otherwise their value is diminished. WWF therefore believes engagement is only effective if it takes place early enough to set out the clear standards that are required of all projects to be supported by ECGD. ECGD's discretion on which standards apply results in a lack of clarity for applicants as to what the requirements are. This could be resolved by making standards mandatory.

On the evidence to date, WWF is not convinced that the current implementation of this stated approach has resulted in an improvement of standards on projects in ECGD's portfolio. On civil projects for which it has a process to consider environmental and social impacts there is little evidence of this policy in action. Certainly in the case of Sakhalin II the number of unresolved environmental issues indicates that ECGD's influence was too little, too late.

As indicated in the previous section, WWF's attempts to ascertain the effectiveness of ECGD's influence on projects has not been facilitated by ECGD. As mentioned, a FOI request by Friends of the Earth for the responses of other government departments to ECGD's initial notification of Sakhalin II was declined several times by ECGD and only released following a judgement in the appeals court earlier in 2008. One of the reasons for civil society to request this information was to assess to what extent it was taken into account by ECGD. As mentioned in Section 2, the strong views of DEFRA appear to have had limited effect. Because ECGD resisted release of the DEFRA response for three years, it made it impossible to follow the government's decision-making process as it unfolded.

During the construction of Sakhalin II, there were several times when urgent action was needed to intervene in the construction of offshore components. Yet ECGD failed to respond to the information provided by NGOs. For example, WWF's monitoring team observed excessive noise levels in the gray whale's feeding area during construction on 30 June / 1 July 2007, which breached the maximum noise criteria recommended by the panel of whale experts. WWF raised this with ECGD, yet received no response or indication that the department would intervene or investigate the matter. The whale experts later confirmed that the noise limits had been breached on this occasion. This panel of whale experts was hosted by IUCN and one of the funders was DEFRA. The panel publicly criticised the company for failing to meet the noise limits in July 2007, yet no action was taken by the UK government.

ECGD spent over 4 years between the time a conditional offer of support was made to Sakhalin Energy, and the time at which the application was withdrawn. During this time, numerous breaches of the standards referred to by ECGD were documented and submitted to ECGD. These included issues relating to impacts on biodiversity, fisheries, pollution, and indigenous peoples, which were inadequately dealt with in the original environmental & social assessments. At no point are we aware of ECGD considering rejecting the application on environmental and social grounds. ECGD refused to give a definitive answer of which standards were being applied to the project and whether the project was in compliance. In response to parliamentary questions on this matter, ECGD merely referred to its CIAP process on its website. Again ECGD is relying on the discretionary nature of its policies which provide no assurance that taxpayers' support is only being given to projects that meet certain standards.

The failure of ECGD's constructive engagement policy would not be so concerning if projects subsequently not meeting standards were then refused cover. However, to the best of our knowledge, no project has ever been refused support on environmental or social grounds. WWF can therefore only assume that there are no environmental or social grounds on which a project would automatically be rejected.

It is very difficult to know the level of consideration and priority given to environmental and social issues as ECGD does not routinely release details of its own assessments of projects on this basis. Even when requested under FOIA much of this information is typically redacted making it impossible to know what information has been considered, in what depth and whether concerns raised have translated into further engagement with the company to improve the project. ECGD released its Business Principles Unit's assessment of the Baku-Tbilisi-Ceyhan Pipeline, following a FOIA request by The Corner House, however the analysis of the issues raised by stakeholders was all redacted. (Please see the 'Business Principles Unit's Review of the Baku-Tbilisi-Ceyhan pipeline project' provided as a supporting document)

The final result however, that no project has yet been refused on environmental or social grounds, indicates that these concerns are secondary to the financial merits of a project. ECGD applies the OECD Recommendation on Common Approaches to the Environmental and Officially Supported Export Credits through its CIAP. The CIAP is broadly consistent with the recommendations for appropriate international standards, namely the World Bank safeguards, which it usually applies. Ultimately, however, both the Common Approaches and CIAP are discretionary. The most recent test case, Sakhalin, indicates that ECGD is more than willing to invoke such discretion. **We would strongly advocate that the Government lobby for the OECD recommendation to become binding on members and until that time ECGD operates on the assumption of non-discretion in its standards, providing evidence to parliament of the necessity for its use in cases where deviation from the standards may be necessary.**

The Sakhalin case has also raised concerns about the practice of offering conditional support to projects with such great impacts and whether it is appropriate to do so in advance of the necessary impact assessments being carried out. This "binding commitment", (as ECGD referred to it), further weakened the government's position as it left them exposed to challenge from the potential client if

support was subsequently declined for any reason not explicitly covered in the offer of conditional support. This formed part of the Judicial Review application made by WWF and The Corner House. The issues raised by this case are summarised in the letter appended to this submission. (See Annex 1)

6. To what extent does ECGD involvement support the transition to low carbon economies, for example through supporting renewable energy projects or carbon capture and storage? Why do renewable energy projects currently account for only a tiny proportion of the ECGD portfolio? What conditions would need to change in order to raise this percentage? Is there any way in which ECGD could further incentivise or facilitate renewable and environmental projects? Should ECGD involvement in fossil fuel and aerospace projects be limited, and if so, how?

ECGD is not supporting the transition of the UK, or that of any host country, to a low-carbon economy. It remains the case, as noted by the Committee in 2003 that ECGD's portfolio is heavily dominated by aerospace and defence. In addition hydrocarbon intensive projects make up a significant portion of the remainder. The particularly environmentally damaging sectors, namely aerospace and hydrocarbons, made up over one third of ECGD's portfolio in 2006/07. ECGD maintains close relations with its best customers and employs specialists for its largest sectors. This may not actively prevent other business from coming forward but it certainly makes it easier for ECGD to continue doing business with the defence and aerospace sectors and suggests a lack of capacity to support new sectors such as environmental technologies.

Since the £50 million facility ring fenced for renewable energy projects was announced in 2002, ECGD has yet to support a single renewable energy project as far as we are aware. Given that ECGD now claims that this reflects the limited scale of this sector in the UK and therefore there is a lack of demand for this facility, WWF would question what the department thought the point of introducing this was in the first place, if they consider there to be no demand, and had no intention of being pro-active. If the facility was expected to be used then the Government should investigate the reasons for the lack of uptake and whether a different use of such a resource might be more effective in supporting environmental sectors of the UK economy and facilitating the use of greener technologies abroad.

It remains to be seen whether liberalisation of foreign content rules by ECGD, or indeed liberalisation of the OECD local content rules, will enable ECGD to more easily support renewables in the future. Should a demand for the £50 million grow in time, the fact that the sum represents such a tiny amount compared to the total value of ECGD support, which goes predominantly to environmentally and socially damaging sectors, should be addressed.

Other ECAs often manage to support renewable technologies owing to the types of facility they offer, for example the provision of mixed credits by the Danish ECA. There appears to be a reticence in Government to increase the amount of business supported by ECGD, owing to the conflict between the role of export credits as a form of subsidy and the desire to promote free trade. This would appear to preclude ECGD from developing new products that may help it to support renewables, but does not prevent it from effectively subsidising its current client base.

The current halfway house of ECGD existing only to support traditional, namely unsustainable, industries is not a satisfactory solution. If ECGD cannot support renewable energy technologies, it should at least address the part it plays in impeding the development of this sector. The current make-up of ECGD's portfolio prevents a level playing field on which renewables can successfully compete. By reducing the operating risks for hydrocarbon intensive industries, ECGD effectively still provides a subsidy for these activities. This is unacceptable given the need to rapidly decarbonise the **global** economy. Although fossil fuels will continue to play some role in a decarbonised world, ECGD's support for these is not bounded within a UK strategy for achieving such decarbonisation and is therefore a potential threat to achieving such a goal.

Thus far ECGD's only deference to the need to achieve such a transition is to encourage fossil fuel power plants it supports to be carbon capture and storage (CCS) ready. Firstly a strategy to 'encourage' is hardly a firm assurance that this aim will be routinely fulfilled. Secondly, as this technology is still very underdeveloped we would question whether it is possible to know what even constitutes "CCS ready".^[9] Therefore implying that because a plant is CCS ready it will be able to adopt CCS technology at some point and therefore such a plant is environmentally acceptable, leaving aside the need to ensure there will be the financial resource to do so, is misleading.

In 2007, the US Overseas Private Investment Corporation (OPIC) introduced a target to reduce the emissions associated with its portfolio by 10% over the next ten years, which demonstrates that it is both feasible and practical for such institutions to measure and manage the emissions they support. We would recommend that ECGD introduce such a target, but in keeping with the UK's own targets to be introduced in the forthcoming Climate Bill, in order that the activities of ECGD are not undermining the Government's actions in this area. ECGD needs to be able to demonstrate how it is contributing to a low carbon future.

A vital first step in this process is for ECGD to collect data and report on the emissions associated with its portfolio. It already collects such information for Category A and B projects. As many companies, including Airbus (which is likely to be ECGD's largest single emitting client), already collect and report information on emissions WWF does not accept that it would be particularly burdensome to carry out such a process and then report the data in its existing annual report.

It is not acceptable in the 21st Century to have a UK government department primarily focused on supporting the supply of aircraft. This is not coherent with UK government positions on the need to tackle climate change. Overall WWF would recommend that the Government recognise that ECGD's activities currently undermine its efforts to address climate change and include ECGD in all forthcoming strategies and Government targets on this issue.

7. What impact has the OECD (Organisation for Economic Co-ordination and Development) had on making sustainable development a priority for Export Credit Agencies? What more could it be doing? Can we be satisfied that ECGD represents best practice and is pushing for higher standards on the world stage?

The OECD has had limited impact on making sustainable development a priority for Export Credit Agencies. As mentioned previously, improvements in the various guidelines for ECAs on sustainable development issues have tended to come as a result of one ECA setting new standards and then encouraging others in the forum of the OECD to follow. As such the OECD has been a medium for improving standards multilaterally but not the driver. Therefore we would dispute any claim by ECGD that getting multilateral agreement at the OECD first is the best means of achieving changes. WWF would argue that ECGD must instead set an example. This would then act as an incentive to actively lobby for higher standards for all OECD ECAs to avoid any lasting competitive disadvantage. Although ECGD has stated that it was active in supporting improved environmental standards, there is no evidence that ECGD has any future targets for improving multilateral standards. However ECGD is happy to hide behind the absence of higher OECD standards to avoid improving its own unilaterally.

It should be noted that the OECD only provides recommendations, which are ultimately non-binding on members. Even full adoption of the Common Approaches on the Environment and Officially Supported Export Credits would still allow for standards employed to assess the impacts of projects to be waived in 'exceptional circumstances'. No definition or illustrative list of exceptional circumstances is supplied. Other guidelines such as the recent 2008 recommendation on sustainable lending, despite the title, make no provision that ECA support should have any regard for sustainable development outcomes. Sustainable lending refers only to the ability and likelihood of the host country or recipient to repay.

It is doubtful whether the longer OECD agreed financing terms for renewables, advocated by the UK, will increase the renewables business in ECGD's portfolio, or that of any other ECA. The lengthening of the terms matches the terms available for nuclear but it is not clear whether this period is relevant for increasing support of renewables. Furthermore dams have been included as renewables. The controversial Ilisu project is one of the dams that OECD ECAs have supported under the new terms. Annex III provides details of the projects supported under the terms, demonstrating that the greatest beneficiary has indeed been hydropower.

WWF supports hydropower as a renewable energy when implemented according to best practices and complying with the recommendations of the World Commission on Dams, but remains concerned about the sustainability of many hydropower projects. Recently ECGD has not supported such projects but there is no evidence that this is down to the application of strict environmental standards. We would therefore like to take the opportunity to encourage ECGD to make application of World Commission on Dams guidelines mandatory when considering such projects in the future. We believe the government has indicated support for these guidelines previously. In addition a **global** multi-stakeholder group, the Hydropower Sustainability Assessment Forum, is currently developing an operational standard for dam developments, including consideration of cumulative impacts of hydropower and river basin ecology, based on documents developed by the International Hydropower Association. We would encourage ECGD, as we do with other export credit agencies, to follow this process and consider adopting the guidelines coming out of this process when considering applications for dam projects.

Outside of the OECD, ECGD recently signed a Memorandum of Understanding with the Chinese ECA Sinosure. In the press release ECGD claimed that this would enable the two ECAs to share good practice. We would encourage ECGD to make the most of any opportunities to influence the procedures of non-OECD ECAs to improve environmental standards and other aspects of sustainable development policies and procedures. However, we are also concerned that collaboration under this MoU may enable UK exporters to receive support from Sinosure thus circumventing ECGD's environmental and social standards. Although when we requested to see the MoU to allay our concerns, ECGD indicated that it would provide us with a copy, we have yet to receive such information. The request was made in March 2008.

With regard to best practice, although there are unfortunately several ECAs which are less transparent and operate weaker policies on sustainable development than ECGD, there are several ECAs that have various policies which are stronger than either ECGD's or OECD recommended policies. We would therefore question whether ECGD does represent best practice in all areas. Aside from some aforementioned ECA practices there are a number of other examples. For instance, Ex-Im has a consultation period for interested parties in high impact cases of 60, rather than ECGD's 30, days. Given the time it takes to gather information on such projects, 30 days is insufficient. Canada's EDC has a compliance officer to ensure complaints about its projects are addressed without the need to resort to judicial review, which would be the procedure in the UK, and its sustainable development procedures and policies are being appropriately implemented. The Swedish ECA, EKN, has greater transparency than ECGD, publishing on its website details of the transactions it has supported on a monthly basis. Given the number of examples where other ECAs are outperforming ECGD on areas of sustainable development and other aspects covered in its Business Principles, ECGD cannot be said to represent best practice among its fellow ECAs. WWF recommends that ECGD seeks to at least match, if not exceed the standards set by its competitors in these areas.

Conclusion

To summarise WWF's main concerns are that ECGD's policies are not coherent with the objectives and policies of wider government on issues of sustainable development. The current mandate of the ECGD is not fit for the 21st century and needs to be reviewed. The limited policies that ECGD currently has are not consistently implemented and the business principles framework should be improved and be made mandatory. In several cases other Export Credit Agencies demonstrate superior policies on issues of sustainable development and transparency. ECGD should seek not only to match these but set an example on enhanced best practice to other agencies and subsequently push for these higher standards internationally.

Annexe I: Outstanding concerns regarding ECGD's handling of the Sakhalin II project

Following the withdrawal by Sakhalin Energy Investment Company Limited (SEIC) of its application for support from ECGD on 29 February WWF and The Corner House decided not to proceed with their application for judicial review relating to that support.

Notwithstanding that withdrawal, we consider that the issues raised by our application remain relevant and that our application raises serious questions about the manner in which ECGD executes its statutory duties.

These issues include the following:

1. ECGD's "facilitating" role:

It is common ground that in relation to the SEIC application, the secretary of state was purporting to exercise his powers under section 1(1) of the Export and Investment Guarantees Act 1991, namely to make financial arrangements *"with a view to facilitating, directly or indirectly, supplies by persons carrying on business in the United Kingdom of goods or services to persons carrying on business outside the United Kingdom"*.

It appears to us that legitimate questions persist as to the extent to which ECGD can be said to be fulfilling this objective in this instance. Despite repeated requests in correspondence, we were never given a satisfactory explanation as to how, even at the time of the contested March 2004 conditional support letter and certainly thereafter, the support offered by ECGD could amount to "facilitating" British exports given the already advanced stage of the contracting and construction processes.

In the interests of future transparency, we believe that absolute clarity needs to be provided on what ECGD considers to be covered by "facilitating" and that any decision must include a clear appraisal of the application's compliance with that fundamental statutory obligation.

ECGD's lack of transparency and consultation:

The judicial review application arose because, in March 2004, ECGD gave a commitment to provide support for Sakhalin II subject to certain conditions being met, yet failed to disclose this fact or consult interested parties on what was clearly a significant stage in the application process.

ECGD is under legal obligations with regard to adequate disclosure and consultation. ECGD has been resistant to disclosing information, with many Freedom of Information requests regarding Sakhalin II unduly delayed or refused. It should be encouraged to review its disclosure, consultation and reporting policies and improve its performance in these areas.

3. The need properly to take into account the views of other Government departments:

For over three years stakeholders have requested the initial responses from other Government departments to ECGD's notification of Sakhalin II Phase 2 as a potentially sensitive case. ECGD refused to disclose this information. Two court hearings subsequently confirmed that this was information which should be released in the public interest.

Upon disclosure we learnt that DEFRA indeed had serious concerns, stating in correspondence: "Our preliminary view on this project is that the potentially devastating effects of this project on the local environment and in particular on an endangered population of whales and biodiversity in a sparsely populated region are not compensated for by the positive effect of this project"

As the court found, these concerns should have been disclosed. More to the point, there is little outward evidence that these views were given due consideration by ECGD in its subsequent handling of the application.

4. The lack of clarity regarding the status of approvals with conditions subsequent:

ECGD maintained that no decision had yet been made on whether to support the Sakhalin project. Yet the March 2004 letter clearly amounted to more than simply a "minded to" indication of support. The conditional decision had more significance than was ever

acknowledged and had "real world" effects. In the light of this, there is obviously a need for greater clarity with regard to the process from start to finish, with an explanation of when and why "minded to" or conditional support statements will be issued, and the differences between these. It should be noted that the current ECGD *Case Handling Process - Information Note* makes no reference to the category of legally binding but conditional support decision which was the subject of contention here. On the contrary, it remains ECGD's stated policy in the Information Note that preliminary indications on cover "are given entirely without commitment".

5. Environmental and Social Impact Assessments (ESIA) should be completed before conditional support granted:

As a matter of principle, and based upon European and domestic authority on ESIA, it is impermissible to take a binding decision to support a project while leaving ESIA to be dealt with as a condition subsequent. A decision-maker which applies an ESIA requirement cannot rely on conditions and undertakings as a surrogate for the ESIA process. But that is exactly what ECGD purported to do in the March 2004 letter.

Furthermore we believe that the ECGD needs to consider carefully its application of ESIA procedures in situations, as here, where the developer has already begun construction on a project. The purpose of imposing ESIA requirements (as ECGD has chosen to do) is to ensure that adverse environmental impacts are prevented "at source, rather than subsequently trying to counteract their effects" (Environmental Impact Assessment Directive, first recital). In the present instance, with completion of the final Sakhalin ESIA delayed until over 90% of the project itself was completed, it should have been ECGD not SEIC that brought the application to an end.

6. Excessive discretion:

In the response to WWF's letter before claim, it was argued that ECGD was not obliged to require ESIA before making a binding decision on the project (and/or before the project was carried out). That argument is put forward on the basis of general statements in ECGD's Case Impact Analysis Process ("CIAP") and Case Handling Process Information Note to the effect that, respectively, the CIAP is "not a statement of what will be done in every case as [ECGD] will exercise its professional judgment on the basis of the actual circumstances of each individual case"; and (as to the Information Note) that "it is difficult to provide a succinct statement that will cover every circumstance" - although the Note adds that it "seeks to illustrate the general process adopted for handling cases".

In general, but certainly in relation to something as fundamental as the ESIA, we do not believe that the degree of discretion which ECGD seeks to reserve to itself is acceptable or can be justified. Having chosen to impose ESIA requirements, these need to be implemented effectively and consistently. Some flexibility in process may be necessary but when discretion leads to uncertainty and possible abuses, such discretions can no longer be justified and should be curtailed.

7. ECGD's "Constructive engagement" policy:

ECGD has never rejected an application on environmental grounds. The reason for this is set out in Para 2.8 of the ECGD's Case Impact Analysis Process: "Projects that do not meet the relevant international standards will normally be considered unacceptable. ECGD's approach in these circumstances is to engage the exporter and/or the project developer in discussions with the objective of raising the project standards to an acceptable level."

While such an engagement policy may be laudable in many respects, it has to be questioned in circumstances in which there seems little prospect of the project reaching a standard which could ever be considered environmentally acceptable. The policy of constructive engagement made little sense in this case.

8. Coherence with climate policy:

One final and vital issue which should be raised in light of the above is how ECGD's continued support for carbon intensive projects overseas is coherent with the government's climate objectives. ECGD does not even mention climate change in its policies, nor does it report publicly on the emissions associated with the projects it supports. This is despite the prevalence of carbon intensive projects in its portfolio.

The ECGD has a track record of supporting some of the most controversial and environmentally damaging projects of our time. Sakhalin would have fallen into that category had the application been approved and it seems that the forthcoming Jindal Steel project in Orissa, may prove equally controversial.

If ECGD is to continue playing a role in supporting such projects then it is absolutely imperative that its procedures are rigorous and above reproach.

Annexe II: Sakhalin II Background information

Name	Sakhalin II
Project Type	Oil & Gas infrastructure
Country	Russia
Dates	Construction started and application to ECGD in 2003. Project 90% completed November 2007.
Amount Supported	\$650 million being considered
Description	The Sakhalin II Phase 2 offshore oil and gas project is a US\$ 20 billion project on Russia's Pacific Coast. The Sakhalin Energy Investment Company (SEIC) [10] consists of Shell (the project operator (22.5.5%); Mitsui (12.5%); Mitsubishi (10%); Gazprom (acquired 50% plus one share at the end of 2006, with the other partners halving their stakes). SEIC has undertaken the construction of a new oil and gas platform, offshore oil & gas pipelines, onshore pipelines carrying oil & gas the 800 km length of the island, and a liquid natural gas (LNG) production plant and oil & LNG terminal at the south end of Sakhalin island.
Environmental Impacts	<ul style="list-style-type: none"> · The offshore components of the project are adjacent to the only known feeding grounds of the critically endangered Western Gray Whale (estimated 120 total population remaining). The risks posed by noise, collisions, and oil spills put the whales at risk of extinction. The winter ice cover poses a huge challenge to cleaning up any oil spills during operation. [11] SEIC has ignored the advice of a panel of whale experts, by installing a platform without keeping to the recommended noise limits. [12] Rick Steiner, an Alaskan oil spill expert quit the whale panel in July 2005 following Shell's refusal to change its plans. [13] · The onshore pipelines crossed over 1000 rivers. SEIC did not identify all of the sensitive rivers prior to construction. The habitat of the endangered Taimen (a type of salmon) was not surveyed prior to construction and damage has resulted. [14] SEIC failed to implement many of its mitigation measures, such as crossing rivers with the two pipelines at the same time and avoiding spawning seasons. [15] The repeated failures have been documented by regulatory inspections, consultant reviews and NGO monitoring. In 2006, SEIC's environmental permit for construction was suspended by The Russian Ministry of Natural Resources. [16] SEIC has proposed restoring southern rivers to compensate for degraded northern rivers, which will not work, as salmon always return to the unique habitat of the river in which they were spawned. [17] · The onshore pipeline construction has also impacted the nesting sites of endangered Steller's Sea Eagles. Construction workers ignored the required exclusion zone around the nest, with excessive traffic continuing close to it.

The nesting pair had no offspring in 2007. [18]

- The dredging of Aniva Bay resulted in material being dumped close to shore, affecting the catches of local fishermen, resulting in a complaint to the European Bank for Reconstruction & Development (EBRD); SEIC eventually paid some compensation. The community has also not been compensated for the loss of the recreation value of the beach in front of the LNG plant.

Social Impacts and Human Rights · SEIC failed to recognise all of the indigenous peoples on Sakhalin Island, in breach of the World Bank policy. As a result an indigenous peoples plan was not prepared until 2006, by which time the project was two-thirds completed. These most vulnerable groups were not able to have meaningful input into the design of the project. The EBRD recognised the timing of this plan did not meet policy requirements. [19]

- Affected communities have not had claims for compensation resolved in a timely manner. As a result poor communities have lost livelihoods on which they depend.

- Local communities made several protests at SEIC sites to raise the profile of their plight. [20]

- A report by CEE Bankwatch documents the harrowing rise of prostitution, trafficking, HIV/AIDS and violence against women in communities affected by Shell's Sakhalin II. [21]

Corruption Allegations · Allegations have been made by a whistleblower of inappropriate relationships between SEIC management and its contractors, in particular Starstroi and its subcontractor SU4. [22]

20th June 2008

Annexe III: Renewable Energy Projects financed by OECD ECAs under the extended OECD terms 2005-2007. Available at <http://www.oecd.org/dataoecd/13/20/39863611.pdf>

[1] HM Government (2005) 'UK Government Sustainable Development Strategy "Securing the Future: delivering UK sustainable development strategy"' http://www.sustainable-development.gov.uk/publications/pdf/strategy/SecFut_complete.pdf

[2] DTI (2007) 'Meeting the Energy Challenge: A White Paper on Energy' <http://www.berr.gov.uk/files/file39387.pdf>

[3] Full assessment available at http://www.sd-commission.org.uk/publications/downloads/ecgd_sdap.pdf

[4] The full minutes of the discussion are available at http://www.ecgd.gov.uk/egac_minutes_21_july_2004.pdf.

[5] http://www.ecgd.gov.uk/sdpis_thesis.doc

[6] Letter from ECGD to WWF, December 2006 provided as a supporting document.

[7] <http://www.opsi.gov.uk/si/si2004/20043391.htm>

[8] <http://www.defra.gov.uk/corporate/opengov/eir/decision/ecgd.htm>

[9] For a more complete discussion of the issues around CCS and use of the term CCS ready, please see the WWF report "Evading Capture", May 2008, available at http://www.wwf.org.uk/filelibrary/pdf/evading_capture_brief.pdf

[10] <http://www.sakhalinenergy.com/en/aboutus.asp>

[11] Offshore Oil Spill Response in Dynamic Ice Conditions. 2005, Nuka / WWF. http://www.panda.org/about_wwf/where_we_work/europe/where/russia/sakhalin/news/index.cfm?uNewsID=67420

[12] <http://www.iucn.org/themes/marine/sakhalin/index.htm>

[13] Letter from Rick Steiner to Jeroen van der Veer, 14 July 2005.

[14] AEA Lenders Review of Sakhalin II, October 2007, p117. http://www.sakhalinenergy.com/en/documents/iec_ddr2007.pdf

[15] Mathiason, "Shell Consortium in New Pipeline Dispute," The Observer, May 21, 2006 <http://www.guardian.co.uk/oil/story/0,,1779620,00.html>

[16] <http://news.bbc.co.uk/1/hi/business/5355504.stm>

[17] Letter from the Wild Salmon Center to SEIC, 5th November 2007.

[18] AEA Lenders Review of Sakhalin II, October 2007, p160. http://www.sakhalinenergy.com/en/documents/iec_ddr2007.pdf

[19] <http://www.ebrd.com/new/pressrel/2005/175dec14.htm>

[20] <http://www.sakhalin.environment.ru/en/detail.php?slice=8b4cb37fba47da1c76cf3e44aa940cd2&sitemid=221211>

[21] Boomtown Blues, November 2006, CEE Bankwatch <http://bankwatch.org/documents/boomtimeblues.pdf>

[22] <http://royaldutchshellplc.com/2008/01/06/the-sakhalin-2-whistleblower-warnings-which-proved-100-correct/>