

## Governments, Corporations, and Environmental Groups: Who's Telling the Truth about Oil in the Russian Pacific?

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While all the diplomats and military personnel are sorting out the situation in Kosovo, a different type of conflict is being waged on the other side of Eurasia. It is here, on the seemingly insignificant island of Sakhalin (Figure 1) that a handful of environmentalists are vying with some of the world's largest oil and gas corporations.

What may be at stake here is more than just the future of some modest oil deposits hidden below the Pacific shelf. Perhaps it is the fate of all western investment—as well as the corporate quest to extract the natural resources of Russia—that lies in the balance.

### A Growing Distrust of Western Oil Companies

Somewhat ironically, the repercussions from the NATO/Serbia confrontation have reached all the way into eastern Russia. A certain xenophobia has infected the populace here. Not surprisingly, the western oil companies enjoy a high profile here, and they are now quite vulnerable to a growing suspicion for foreigners. The question, however, is whether this distrust simply arises from a local feeling of Slavic kinship with Serbia, or would there be other causes as well?

Looking back at the recent history of Sakhalin, one finds that oil development began well before World War II, in times when Japan controlled the southern half of the island. Over the ensuing years of Soviet rule, the development of on-shore oil certainly was to bring some self-sufficiency to the region. But it has also brought a concurrent number of repeated oil spills and other environmental disruptions to the island.

By the early 1990s, when exploratory teams from Exxon, Shell, Mitsubishi and other

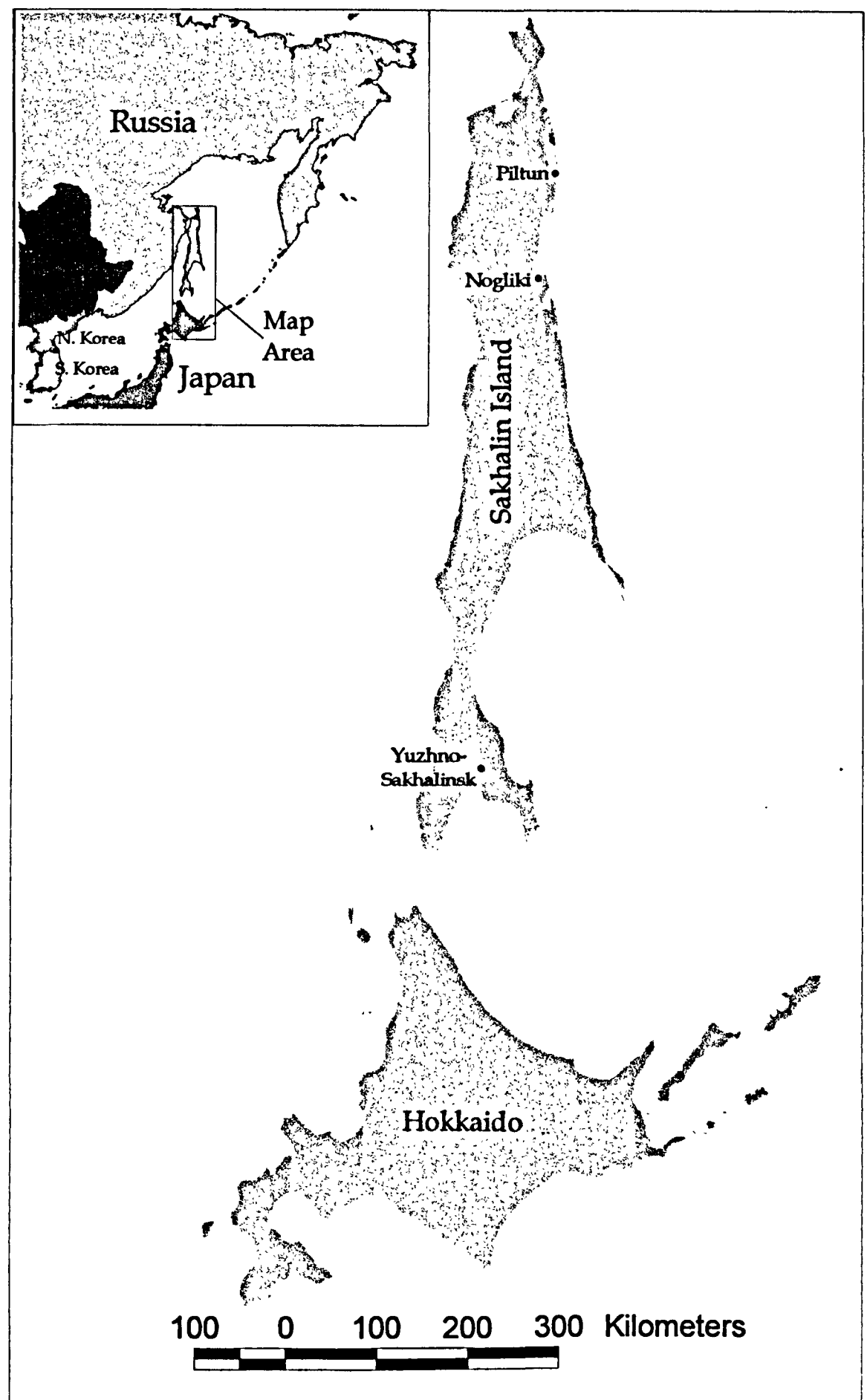


Figure 1. Sakhalin Island and vicinity. Map by David Martin, copyright Pacific Environment & Resources Center, 1998. Used by permission.

companies began to arrive on Sakhalin, community leaders began to probe into their offshore drilling plans. On the international front, the people of Sakhalin were fully cognizant of the Exxon Valdez disaster in neighboring Alaska. What is more,

mostly thanks to their connections with international environmental groups, they had uncovered many stories of similar mishaps around the world. As a natural result, many of them had become quite worried that the ominous lack of environmental

controls in Russia was attracting another oil-rush to the region.

Meanwhile, various cooperative efforts between local citizens and international eco-groups continued to blossom. And, coincidentally, distrust towards oil companies also continued to grow. Local citizens were now fretting about how the oil corporations were quickly forming limited liability companies, and then registering them in rather obscure countries, such as Bermuda and the Bahamas. This did not inspire confidence in the local people, who had begun to think that the oil companies perhaps were not so assured after all about their own predictions that there would be no extensive damage to the environment, nor to the local fishing economies.

Other evidence came forward that concerned local activists. The oil companies have been unwilling to dedicate any of their double-hulled tankers for transporting oil around Sakhalin. In addition, the first platform (which will be pumping offshore oil by the summer of 1999) is already over 20-years old, having been retired from use in Canada.

It was these and other cost-cutting efforts that led local people to believe that there might be some kind of experiment going on in the region. (As Dmitry Lisitsyn of the regional eco-group Sakhalin Environmental Watch has put it: "This is an odd place for an experiment of this sort—it is one of the most ice-laden, seismically-active regions in all of Russia." Interestingly enough, the oil companies have responded to queries about earthquakes by stating that oil exploration would not *cause* any earthquakes. Nothing seems to have been said about the fate of the many pipelines and oil platforms in the case of another massive earthquake, akin to the one that destroyed several towns in 1995 on Sakhalin.)

The various oil companies have countered many of these concerns by emphasizing the potential for economic benefit to the region. They say that, although the oil reserves have not been proven to be immense, the natural gas in the region appears to be bountiful. And energy-starved

Russia could use both the oil and gas for internal use as well as for sale abroad.

But even on this issue of economics, the local people have begun to exhibit some doubt. They cite the fact that the companies once promised to supply enough gas to bring heat and power to the entire island by century's end. Yet no project to develop the large gas reserves in the Russian Pacific has yet begun. Jobs were also promised; yet the brunt of employment to develop oil has gone to "imported" western labor, leaving mostly menial opportunities to the local work force.

What is more, the people throughout eastern Russia are wondering how oil exploration will affect the livelihoods of local fishermen. The surrounding Sea of Okhotsk is one of the richest commercial fisheries in the world. It supplies Russia with nearly 40% of its marine food-products. The companies have claimed that there should be little or no impact on these resources. Yet evidence from abroad shows that the fisheries in Alaska, in southern California, and the North Sea have, in fact, been harmed by the oil industry over prolonged periods of time.

As a result of this mounting concern, the indigenous people in this part of eastern Russia are beginning to lodge some protest against oil development around Sakhalin Island. They are being joined in this by activists from Japan, especially from the island of Hokkaido, which lies but 40 miles to the south of Sakhalin. Citizens from both countries are asking about who will actually benefit from these oil developments. They are also curious as to why there is a moratorium on off-shore drilling in the fish-rich regions near North America's east coast, while there seems to be no such intention to spare the ocean shelves of eastern Asia:

#### Are the International Environmental Groups Doing a Diservice to East/West Relations?

In a time when Russia is tempted to retreat again away from the West, one could easily criticize the actions of those western environmentalists who come in and "foment"

against western companies. By doing this, they may be influencing the Russian populace to return to the old days of anti-American sentiments.

To many environmentalists, however, at least to those who are active in Russia, it appears that the opposite may be true. International groups believe that they are promoting democratic principles in Russia. They are working closely with local groups in an effort to enlighten and motivate local citizens. They are also trying to assist local governments, and the oil companies themselves, and help everyone achieve a better understanding of the complexities of oil development in the region.

Translated into action, this has meant that the environmentalists have performed a number of (hopefully) useful tasks. They have provided expert assessments and recommendations that will help improve the various oil spill prevention and contingency plans in eastern Russia. They have assisted local oceanographers in predicting the scope and direction of possible oil spills. In this and other ways they are attempting to alert Russians and Japanese of the dangers that are inherent in oil development.

They have also allied themselves with the Russian Federal Agency for Sea Inspection, which was about to be dissolved by "pro-oil" factions within the Russian government. Thanks to suits brought in Moscow by the eco-law firm known as EcoJuris, this important agency may soon be back in operation, once again monitoring the critical oil developments in the Russian Pacific.

In essence, then, the international environmental groups believe that their best option is to help the Russian public get involved. They hope that local citizens will be as prepared as possible, secured in their right to decide on the fate of their own environment. In the case of Sakhalin Island, perhaps their most important right will be a guarantee that either: (1) the oil companies will use the best technologies to provide for a clean environment, while at the same time providing economic benefits for local people, or (2) that these same companies will be willing to cease all operations in

the region, at least until they are able to put these technologies in place.

### What Have the Oil Companies Learned in the Last Ten Years?

Even though more environmental safeguards have been put in place in such regions as Prince William Sound, it appears still that the oil industry may still be dragging its feet. Off Sakhalin Island, at least, the oil companies have been quite unwilling to have the price of oil reflect the true potential costs to society. As a result, in an effort to improve short-term profitability, they seem to be delaying many improvements, including the construction of a suitable number of double-hulled tankers. (Even worldwide, it appears that most companies will meet the International Marine Organization's deadline of 2015 for the

ubiquitous use of these tankers with only months to spare.)

As for Russia and other foreign countries, these companies seem content to keep their social investments at a minimum. There is little evidence that they will stop importing any but the oldest and cheapest technologies for extracting crude oil in this part of the world.

There is finally the rather unenviable distinction that these oil companies are acting as representatives of the West, especially in countries where they often make unfavorable impressions, such as in Russia, China, and the other opening economies of the world. Given their record in the Middle East, it is rather difficult to believe that the oil corporations may not, once again, be

burning their own bridges before they are crossed.

It is this author's belief that the legacy that is left on Sakhalin and eastern Russia will be too sad if it is one of pollution and economic dependency. In these fragile times, this kind of legacy can only push us closer to the polarized Cold War times of the recent past.

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