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Media Statement

**Sakhalin Energy Responds To Concerns Linked With Upcoming Demonstration**

It is being reported widely in the media that a coalition of representatives from the Green Party and Sakhalin Environment Watch (SEW) along with representatives of the Korsakov community will demonstrate at the Sakhalin II LNG site at Prigorodnoye on Saturday January 28<sup>th</sup>.

Whilst Sakhalin Energy respects the wishes of Korsakov residents and NGOs to be heard, we do not support this weekend's planned protest as we believe it will neither contribute to the strengthening of the dialogue on these issues, nor help to resolve their concerns.

Mr A. Nagibin Head of the Green Party, in a Sakhalin television programme on Tuesday 24 January, stressed that the goal of the protest was to demand compensation for damages to bioresources made by Sakhalin Energy during construction at Aniva Bay and during river crossings. In addition, we understand that the protest action may focus on concerns over health impacts during the construction and operation of the LNG plant.

In response to these concerns Sakhalin Energy is providing the following information (which covers marine and health impacts and compensation for the Island's bioresources) to all interested people, including those planning to join the protest action, members of the media and the general public, in advance of Saturday's planned action.

We welcome further constructive engagement on these issues and have always maintained a willingness to meet those involved in this protest.

**Impacts to Bioresources including Aniva Bay and Rivers:**

Sakhalin Energy conducts its operations, and plans future activity, in compliance with Russian law. All construction and operation activities require permits issued by the federal and local authorities in accordance with Russian Federation law and we follow Russian regulations at all times.

**River Crossings:** To minimise construction impact, we worked closely with the Russian Federal environmental protection and fishing industry authorities, international experts and consultants to design, develop and agree a program specifically to protect salmon and their spawning grounds from possible damage by silt generated during pipeline river crossings.

We have undertaken comprehensive surveys to identify and avoid vulnerable areas, for ecologically sensitive river crossings we have committed to construction in winter out of the salmon season when rivers are frozen, using careful water and soil management techniques and silt traps when trenching is used. The salmon spawning area potentially affected by our river crossing activities is very low – less than 1% of the spawning areas on the Island.

We fully recognise the importance and sensitivity of our river crossings activity and the interest of people of Sakhalin Island in this.

Currently the Company is in the process of executing its 2005/2006 winter river crossing programme. There are over 7,000 people involved in this work and we are proud of the recent progress in accordance with strict standards we are committed to. Our progress is publicly available on the Company website.

**Aniva Bay:** Sakhalin Energy completed all planned dredging in Aniva Bay in December 2005. This work was required as part of construction of the LNG facilities at Prigorodnoye. Dredging was undertaken outside of the fish-spawning season (from 1<sup>st</sup> May to 5<sup>th</sup> September).

Dredged material was disposed of at a site 24km offshore, at a depth of 65m - in line with international best practice.

Independent monitoring of the dredged spoil disposal site has indicated no significant dispersion of the dredged material and has verified that the environmental impact on fish or scallop numbers, in accordance with expectations, is localised and short-lived. The summary results of monitoring activities have been, and will continue to be, shared with interested stakeholders.

Monitoring studies have also shown that salmon migration continued without impact in 2005 during construction of the LNG export jetty.

2005 was widely recognized as an excellent year for fishing, Aniva Bay included. In a media article published in TIA Ostrova on 1 November 2005, it was reported that the Deputy Head of Oblast Fisheries Department, had provided the outcomes of the salmon season at the meeting of Fisheries Council. The article stated, *“Good catching situation was reported at the northeastern Sakhalin and in Aniva Bay. High catch results were achieved by ..... ZAO Tunaicha, OOO Svobodnoye 2001, Kirov Fish Catching Farm, OAO Pilenga (Korsakov District), OOO Kompas Plus, OOO Taranai, OOO Naicha (Aniva District).”*

In addition, in rivers in the immediate vicinity of the LNG site (the Mereya River and the Goluboy Brook), 2005 monitoring showed that fish numbers increased 2 times and 6 times respectively, when compared to 2003 monitoring, before construction started.

#### **Potential Fish Damages Compensation:**

Compensation for potential fish damages, paid regardless of whether there is an impact or not, have also been paid in accordance with Russian Federation law.

Sakhalin Energy paid \$11 million dollars in potential fish damages compensation in October 2005. This figure was calculated by TSUREN the Central Department for fisheries expertise and norms for protection and reproduction of fish stock, Russian Ministry of Agriculture.

When this compensation figure was calculated it was done on the basis of certain criteria and assumptions. Sakhalin Energy is ready to cooperate and engage with the Authorities and other stakeholders if the Authorities wish to reconsider the compensation calculation in the light of current project activities.

The \$11million paid to date by Sakhalin Energy is being used to develop salmon hatcheries on the Island in line with an agreement signed by Sakhalin Energy, the Sakhalin Oblast Administration, the Federal Fisheries Agency and FGU Sakhrybvod.

**Compensation to Fishing Company Directly Impacted:**

In addition to the fish damages compensation Sakhalin Energy has paid under Russian Federal laws, the Company has also compensated one fishing company directly impacted by our activities in Aniva Bay and we remain in constructive and positive negotiations with other companies who claim impact.

**Concerns over Health Impacts:**

Concerns about potential health impacts have been raised with the Company by residents of a dacha community located near the LNG/OET site in Prigorodnoye.

The Russian Ministry of Health has approved a 1km sanitary protection zone for the LNG/OET site at Prigorodnoye. The size of the zone is set on the basis of the governing code SanPiN 2.2.1&2.1.1.1200-03 and complies fully with international models. The dacha community in the Mereya valley is located outside this zone.

Under Russian Federal Law there is no legal requirement for any compensation to the Dachas owners by Sakhalin Energy and indeed, in a recent response issued by the Sakhalin Regional Prosecutor's Office in response to a Korsakov resident's claim of impacts to environmental health caused by the LNG plant, it was found that such claims were unjustified.

However, despite this we recognise and understand the Dachas community's concerns and have developed and presented compensation packages for the dacha owners based upon an estimate of the maximum "loss of value and loss of crops" calculations.

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