

FRONTERA RESOURCES PROJECT

The EBRD is currently considering a loan of 60 million USD to support the commercial exploitation of oil in the Kursangi and Karabagli fields in Azerbaijan and in Block 12 in eastern Georgia -- the Frontera Resources Project. A 10 million USD loan for the first phase of the Frontera Project, managed by the US company Frontera Resources, was already approved by the EBRD Board in March 2000.

Violation of EBRD procedures

The mandatory EBRD Environmental Procedures require that, for EIA purposes, any hydrocarbon production project should be in Category A. Such projects require a public consultation and should have a full Environmental Impact Assessment (EIA), with scoping meetings and public hearings. The EBRD considered Frontera Resources to be a single project when it produced a single Project Summary Document. However, in violation of the rules, the Frontera Resources Project was categorized B, which requires only an Environmental Analysis without any public consultation. This was achieved by splitting the project into two parts: the first focusing on rehabilitation of the oil field sites and pilot drilling, and a second one aiming at full field development. This was the first time in EBRD history that such an approach was used. In the NGOs view, this was an attempt to illegally skirt the rules.

However, even if it is considered that these are two separate projects, both of them would have to be category A, since the rehabilitation of the current oil fields will lead to an increase in oil production from the current level. Despite the NGO protests, the Board approved the first phase of the project with a loan of 10 million USD.

Oil Extraction in protected Shirvani Reserve

Splitting the project, and in our view ignoring EBRD rules, has enabled the Frontera company to start a seismic survey and test drilling in Shirvani Reserve (Azerbaijan), which already creates a danger for Goitred Gazelles (known as Jayran Deer) living in the Reserve. The oil field covers 30% of the Shirvani Reserve, and preliminary results of the seismic survey suggest a good potential for drilling to proceed. The Reserve was established to protect the Goitred Gazelle, which is in the Red Book of Azerbaijan as well as listed in the Red Book of Threatened Animals of the International Union for Nature Conservation.

Socio-Economic impacts

The Environmental Audit claimed that "an improvement in the socio-economic situation in the area is anticipated during the upgrade of the facilities. Improvements are likely to occur through the following mechanisms: Increased employment of local labor; additional jobs in support industries such as catering, accommodation providers and taxi drivers."

In a meeting with the oil company in Azerbaijan in May 2000, we learned that employment in the oil company actually decreased from 1500 to 800 people, most of them local workers. Reduction of workers by nearly 50% can hardly be called improvement of the socio-economic situation in the region, which already suffers from very high unemployment.

Environmental Impact Assessment

The negative precedent of miscategorizing the project as B rather than A creates dangers for the next phase of the project. It gives Frontera Resources confidence to move forward without proper public consultations. Azerbaijan and Georgian NGOs have already had bad experiences with the so-called "scoping process" that Frontera held in their countries. The company did not provide NGOs a good opportunity to properly comment on the content of the EIA.

EBRD involvement in projects has been called a guarantee that "higher standards of business conduct and environmental protection" would be set. So far this is far from true in the Frontera case.

The EIA Summaries¹ that were provided to US NGOs also raise a lot of questions:

- The EIA has been prepared only in the English language. Only Executive Summaries are available in the local languages.

¹ CEE Bankwatch Network still has not received the full EIA documentation even though it has been formally requested.

- The EIA Summaries do not include a single word concerning the oil spill response plan.
- The EBRD requirement, that in case of potential transboundary effects the EIA should apply the Espoo Convention, is totally ignored. The project will clearly influence a number of countries, especially by the transport of oil both from Azerbaijan and Georgia. A tanker accident in the Bosphorus in December 29, 1999 showed that there are large environmental impacts associated with the transportation of extracted oil in the territories of other countries. It is evident that increased oil production from the Frontera Resource project would increase risks of such accidents in the Black Sea as well as in the Mediterranean Sea.
- The EIA Summaries do not include any alternatives to the project.
- There is no evaluation of the full life cycle of the CO₂ emissions of the project.

NGO Position

The proposed Frontera Resource project raises serious concerns. The project failed to strengthen democracy in the countries concerned as well as fully ignoring environmental impacts on the local and global level. We request that the EBRD take the necessary steps to:

- Prevent any drilling activities in Shirvani reserve
- Ensure that there is a proper public participation process that is really participatory, with all relevant documents translated into local languages
- Carry out a full life-cycle assessment of CO₂ emissions of the project
- Carry out EIA according to the requirements of category A, which includes rigorous public consultation about all aspects of the project, as well as an Oil Spill Response Plan. This EIA process should apply the Espoo convention requirements, given the potential transboundary impacts, and should assess global impacts, mainly climate change. It also should evaluate alternatives to the proposed project and their potential benefits for the countries concerned.

More information:

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