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07/23/2003 09:07 AM

To: "James.Mahoney@exim.gov" <James.Mahoney@exim.gov>  
cc:  
Subject: FW: Input for July 23 ~~meeting~~ Camisea with IDB management

Jim,

Please note the below email that was sent by BIC to some of our Executive Directors. As you may be aware, the IDB has not accepted the URS report on the Upstream Component that was contracted by the IDB.

Bob

-----Original Message-----

From: Amy Gray

Greetings,

Attached please find a memo providing excerpts from IDB documents issued on the Camisea project and from the Environmental and Social Assessment of the Camisea Upstream Project prepared by URS. I want to clarify in advance that the URS report is currently in the public domain and specifically in the possession of NGOs, the press and members of US Congress.

It is my hope that those of you attending the meeting to be held tomorrow at 3PM with IDB management will use the opportunity to raise questions concerning the information discrepancies between these documents, and to gain more clarity from IDB management as to specific actions to manage various impacts, many of which are not even mentioned in the ESIR.

I hope this information is helpful to you in making your determination regarding IDB financing of the Camisea project.

Sincerely,

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In June 2003, civil society organizations from Peru and the US requested that IDB President Iglesias delay the IDB's consideration of the Camisea project until several recommendations can be fully implemented, various studies currently underway are concluded and the results of these studies can be considered by decision makers. The IDB's written response identified members of the IDB's Board of Directors as those who can decide whether to delay the vote on this controversial project. This memo comes as an urgent request to IDB Executive Directors to request up to three months delay on this vote, as authorized by the Eighth Replenishment (<http://www.iadb.org/exr/eight/ch6e.htm>).

Recently, NGOs have received a copy of the Environmental and Social Assessment of the Camisea Upstream Project in Peru prepared by URS of Wayne New Jersey, a consulting firm which both IDB and Ex-Im contracted. Reviewing the URS study and IDB documents on the Camisea project, including the ESIR, *NGOs have found striking omissions and over simplifications of the information URS provided to IDB management, and the information IDB management is providing to IDB Executive Directors.* The discrepancies between the information in the URS report and the IDB's ESIR provide yet another compelling reason to delay the vote on this project until these discrepancies can be resolved.

This memo addresses three pressing matters: impacts on indigenous people, living inside and outside the Kugapakori reserve; erosion; and, site selection for the fractionation plant at Paracas. The first two issues are explored by way of a "dialogue" between excerpts from IDB documents and excerpts from the URS study, whereas the Paracas issue is expressed solely through excerpts from the URS study (in an effort to facilitate reading, ESIR/IDB text is in black and URS text is in blue).

It is our hope that IDB Executive Directors and their interested staff will ask IDB management to respond to the information gleaned from the URS study, and to fully clarify the actions the IDB will undertake to respond fully and appropriately to the information contained in the URS study. We also urge Executive Directors to request that IDB management provide you with the URS study to review it in its entirety prior to deciding on project financing.

## Indigenous People

- The ESIR suggests requiring GoP to improve health services and health monitoring efforts in the lower Urubamba region, while citing the lack of previous systematic health information on communities in the area;

The URS study cites:

- 4-14- 4-15 “Regarding deaths of 9 children potentially caused by PlusPetrol, such concerns raised by Amazon Watch and others are termed “reasonable,” but our analysis and evaluation prevent us from making statements as conclusive as Amazon Watch. It is our understanding that the Public Health Ministry is going to start an investigation about this case.”
- 4-13 4.1.3.2 Identification of Impacts: Block 88, Native Communities  
“The direct and indirect cultural, social and economic impact of the Camisea Project can be summarized by the following: (c) a *negative impact on the resources of hunters*, given that many animals have migrated away to sites distant from the noise generated by helicopters. It is uncertain if such animals will return to their natural habitats after the construction of the Project is completed, (d) a similarly *negative impact on the resources of fishermen*, (e) health impacts and *spread of non-indigenous diseases*.”
- There is no mention in the ESIR of compensation for involuntary displacement of isolated indigenous groups, indeed, there is a complete lack of acknowledgement of the reported displacement problem in the Reserve.

The URS study cites:

- 3-8 “There has been a progressive displacement of the indigenous communities. Exploitation of resources, demand for labor and the construction of new access have resulted in **forced contact**, causing the Machiguenga and other groups to move to remaining inaccessible areas to assure their existence.”
- 6-2 “Pluspetrol policies toward people living in voluntary isolation *require enhancement* based on lessons learned during the seismic exploration.”
- 4-11 “Indigenous tribes that practice hunter-gather lifestyles generally live in harmony with the other species inhabiting large expanses of forest...they are sustainable. This appears to be the situation in much of the Kugapakori reserve in the eastern portion of Block 88 where Nanti and Nahua people exist in semi-isolation. The flowline ROW, access road and the temporary Camisea River bridge construction has created *the potential for increased access*.”
- 4-2 “Noise from helicopters and movement of seismic crews through the forest and seismic activities probably had pervasive but temporary impacts on the

movements of indigenous people and wildlife species during project operations. Long-term impacts of noise on wildlife are difficult to judge because there had not been a sufficient baseline monitoring of the area."

Questions on Indigenous Peoples' issues to be posed to IDB Management:

1. Given that GoP has no baseline data on health of communities in the area, why wouldn't IDB want to wait to review the Public Health Ministry's investigation prior to considering financing for this project?
2. The lack of data indicates GoP negligence at worst or ignorance at best of the general well-being of these communities. Given that the ESIR provides no binding instrument for the IDB to ensure the GoP implements the suggested requirements, upon what basis are IDB Executive Directors to have confidence that the political will to implement the suggested actions exists?
3. Can IDB management guarantee that there will not be massive mortality of indigenous peoples inside the reserve as a result of this project? How will the IDB know that such mortality is not occurring? Why hasn't the IDB agreed to establish a full-time monitor in Block 88 to continuously monitor impacts inside the Reserve?
4. Why hasn't an independent international expert on indigenous health and livelihoods issues, such as the UN Special Rapporteur on Indigenous Rights, been requested and given time to assess the potential impacts of this project, as has been requested by civil society organizations in Peru?
5. Why hasn't the IDB allowed time for the London School of Tropical Medicine's forthcoming report on health impacts inside the reserve to be released and evaluated in developing conditions for this project, as has been requested by civil society organizations in Peru?
6. Please explain how IDB can finance this project and be in compliance with its involuntary resettlement policy, specifically the requirements that (1) no indigenous groups relocate their livelihoods as a result of past project activities or will need to do so in the future, or (2) to the extent that some groups relocate, they are at least as well off as they would be without the project.

Erosion:

- The ESIR's only acknowledgement of the settler incursion problem is that an "offshore-inland approach" was used to minimize construction of access roads. ESIR specifically states that "no access roads from populated areas" were constructed in Block 88 (section 6.4).

However, the URS study cautions that:

- 4-9 “ The ROW along flowline corridor b/w the well pads and Las Malvinas...will provide easy access to primary rain forest and indigenous reserves by hunters, loggers and illegal settlers... Direct losses of primary forest at well sites, Las Malvinas Camp, flowline ROW, and **service roads development locations within Block 88.**”
- According to ESIR, "Complete revegetation of the ROW" is expected to occur, except for a 5-8 meter wide permanent ROW, which will be covered by "low growth vegetation" to allow for inspections/maintenance. (section 6.93) An erosion control plan has theoretically already been implemented during preparation of the ROW for the first rainy season of the construction period (Dec 02-March 03) (section 6.75).

URS's assessment, however, says:

- 5-2 “Pluspetrol has not yet implemented such programs to mitigate and monitor long-term impacts of the project.”
- The ESIR further reports that "The pipelines will be entirely buried...additional pipeline safety will be ensured by closing the pipeline ROW..." (section 6.13) There is no mention of the danger of exposed pipelines through permanent erosion damages.

The URS study cites:

- 4-3” In spite of engineered erosion control efforts, massive areas of soil erosion have developed. In places the erosion control is so extensive that portions of the ROW have eroded away, exposing flowlines and the diesel line. *Such ineffective mitigation measures greatly increase the likelihood of a rupture during the operation phase of the project.*”
- 4-4 “In the event of heavy rains, which are common in the region, failure of buried flowlines and diesel line along these ROWs is a distinct possibility that would cause substantial secondary impacts.”
- No mention is made in the ESIR of permanent/irreparable erosion damage.

The URS study makes clear mention of the irreversible nature of much of the erosion that has already occurred:

- 6-3 “Erosion of soil into stream channels and the Camisea River has caused and will continue to cause significant indirect impacts on these aquatic ecosystems. These effects can be considered **irreversible** over the span of the next several decades.”
- There is no mention in ESIR of secondary impacts being felt because of erosion that has already occurred, including silting of rivers and resulting impacts on fish populations:

The URS study addresses these issues in

- 4-4 to 4-5 "Massive regrading is required... (i) in the event of heavy rains, which are common in the region, failure of buried flowlines and diesel line along these ROWs is a distinct possibility that could cause substantial secondary impacts... **The EIA did not adequately characterize the adverse impacts** which would likely include... decreased fish populations because of reduced food supply and burial of spawning areas, and decreased fish availability to indigenous communities. Communities living along the Urubamba River (e.g. Kirigueti, Camisea) have raised concerns regarding loss of fish and speedboats."

The ESIR does not address cumulative impacts of opening the area to further exploration and extraction.

The URS study acknowledges:

- 4-12 "In addition to the combined impacts of the upstream and downstream projects, cumulative impacts or related developments in the region should be considered. *Additional oil & gas concessions are being considered in the region*, and arrangements to harvest timber over forest tracts under current protection... are also in the process. Thus the ROW corridor, unless access is restricted... would not only provide an effective migration corridor for human settlers but also provide an active barrier, fragmenting wildlife populations (on) either side of this route... the gas pipeline is being built to accommodate a greater flow than will be generated through solely the exploitation of the Camisea gas fields"

#### Questions on Erosion:

1. How does IDB management account for the discrepancy between the erosion control problems outlined in URS study and the portrayal of erosion problems in the ESIR?
2. How does IDB plan to address possible permanent erosion damages along the ROW?
3. How does IDB intend to ensure that TGP/Pluspetrol carry out erosion control efforts in a sufficiently timely fashion?
4. Please explain why neither the ESIR nor the project EIA address *cumulative impacts* that must be taken into account in facilitating further extraction given that the gas pipeline is being built to accommodate a greater flow than will be generated through solely the exploitation of the Camisea gas fields.

Additional quotes of concern from the URS study:

- 4.12 " In summary, there are multiple risks to biodiversity associated with the overall project, stemming largely from development access corridors and the intentional or unintentional introduction of new settlements, extraction activities, organisms and technologies."

- 6-3 *"The evaluations of ecological impacts provided in project documents...do not adequately meet accepted international standards of practice for the assessment of project impacts. Synthesis of secondary and cumulative impacts on biodiversity is not adequate and important issues (e.g. secondary impacts, endangered species) are treated superficially or not at all. Any lesser measures....will inexorably lead to irreversible effects on ecological resources and irretrievable losses of biodiversity."*

#### Siting of Fractionation plant in Paracas

The information in the ESIR and in the URS study are so incompatible, this section solely contains excerpts from the URS study. We urge Executive Directors to ask management to clarify how it is that the recently released URS report contradicts most of the important issues in the draft ESIR.

- 6-4 and 6-7: "URS also has specific concerns for the development of the Fractionation Plant and Export Terminal ....at Loberia Beach. Generally, these concerns fall under Alternatives Evaluation, Land Purchase, Adequacy of the EIA and Public Consultation. Most significant items of concern include:

##### 1) Site Selection and Alternatives Evaluation

"Absence of appropriate social and environmental analysis and potential impact evaluation (risk analysis) during site selection. Absence of community involvement or input in site selection, and communication during gathering stages."

##### 2) Land Use and Property Purchase

"Timing of property purchase and land use change to industrial use at Playa Loberia, and purchase of just the right of way for the pipeline on the coastal side of the Pisco-Paracas Highway. Additional property purchase at Playa Clarita by Hunt Oil."

- 4-29 "URS understands that the land at the proposed site was purchased shortly after the 5 alternative sites were identified, in advance of the full alternatives evaluation. *The timing of this purchase, and the method by which a change in land use designation was obtained, and lack of complete stakeholder participation are of concern.*"

##### 3) EIA Adequacy

"Insufficient impact analysis (particularly indirect) performed in the EIA. Inadequacies leave the project less prepared to prevent, mitigate and restore conditions from construction and operation of the plant...."

"Downplay of potential impacts to the marine and social environment during construction and operation. Sufficient baseline analysis was not conducted....Fisheries direct and indirect impacts were rarely and not



quantitatively defined. Resulting economic impacts from fisheries impacts, the livelihood of this community, were not mentioned in the EIA."

"The EIA shows a lack of understanding of noise on the marine environment...."

#### 4) Public Consultation

"The lack of appropriate and sufficient communication with the surrounding communities and identification of appropriate stakeholders on site selection.....The communities and Reserve biologists interviewed by URS indicate they are FRIGHTENED, concerned or HOSTILE toward another industry placed on this coast-they believe, as the Reserve Biologists do, that the site can be placed elsewhere."

"Insufficient identification and accounting of community concerns of plant and terminal construction, mostly in part due to the lack of appropriate and sufficient disclosure on the project."

In summary...the revised EIA was insufficient...Thus, URS concludes that there does not exist sufficient environmental and social justification for the proposed location of the Fractionation Plant and Export Terminal.

- 6-10 Recommendations

"PlusPetrol should explore additional options available for locating the Fractionation Plant...(also) recommends a more complete analysis of the baseline environmental and social conditions, potential direct and indirect impacts and benefits."

#### Questions:

1) How is it that IDB is satisfied that an appropriate level of community consultation that took place in site selection process for Paracas when in fact URS reports the opposite?

2) How is it that the recently released URS report contradicts most of the important issues in the draft ESIR?

3) How is that IDB is comfortable in leaving the proposed fractionation plant in the buffer zone of Paracas when URS specifically recommends that .." Pluspetrol should explore additional options available for locating the fractionation Plant...also recommends a more complete analysis of the baseline environmental and social conditions, potential direct and indirect impacts and benefits."?