

Karl Kendall

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To: cgaraycochea@mem.gob.pe, jbonelli@mem.gob.pe
cc: James Mahoney/POLICY/EXIMBANK@EXIMBANK, Popi
Artavanis/STFG/EXIMBANK@EXIMBANK, Vasilios
Giannopoulos/STFG/EXIMBANK@EXIMBANK
Subject: Pending due diligence visit from US Eximbank (Camisea Project)

To:

Mr. Garycochea - Vice Minister of Energy, Ministry of Energy and Mining, Government of Peru
Mr. Bonelli - Director of Environmental Subjects, Ministry of Energy and Mining, Government of Peru

Gentlemen,

This is follow up to a telephone conversation I had with Mr. Carycochea this morning, but first let me apologize for not writing to you in Spanish; it would unfortunately lack the desired clarity as my Spanish is not so good.

Now, as you may know, the Export Import Bank of the United States (Eximbank) has been requested to provide financial support for the upstream project portion of the Camisea Development. This is separate from the support being sought from the InterAmerican Development Bank (IDB) which is for the downstream portion of the project. Naturally the two portions of the project are otherwise connected from a functional perspective.

At present, Eximbank is engaged in its due diligence review for the upstream project (portion), including financial, technical and environmental assessments. However, we are presently at a slight impasse in respect to the environmental review. Though we have been provided with some environmental impact information by Pluspetrol, one of the project's sponsor, many of the environmental protections and social impact mitigations that are normally expected for a project of the sort, have been recurringly referred to as the Government's responsibilities.

Please see the attached WordPerfect file "EnviroquestionsGoP.wpd" which contains seventeen representative questions in respect to the Government of Peru's obligations, plans and capacities to deal with the environmental and social impacts related to the Camisea Project:



EnviroquestionsGoP.wp

Thus our desire to come to Peru and meet with persons within your Government who can address such questions or offer other guidance. We would envision sending to Lima (or other locations in Peru, if advised) a small technical team consisting of Ms. Popi Artavanis, our senior environmental specialist and myself as Eximbank's petroleum engineer, plus possibly one more senior person.

With this in mind I solicit your kind aid, if possible, in suggesting specific dates and persons with whom we should meet, and ideally arranging meetings so that we all may best utilize the short time to achieve our goals. Unfortunately, though we would wish to arrange this visit as soon as possible, the earliest practical date for our team's arrival (with some flexibility) would be on or about August 9th and may be limited to no more than a week. This is regrettable, but with hope we can accomplish much of what we seek in that time. Naturally, any suggestions in this would be most welcome, and we will try to offer as much flexibility as we can with some advanced notice.

We are aware of the importance the Camisea Project has to Peru, nevertheless we also appreciate the environmentally sensitive situation of the project itself. To best assess the overall situation of the project requires that we obtain complete and current information from all responsible parties to the project,

including in this case the Government of Peru. In this your help would be most appreciated.

Gentlemen, thank you. I look forward to hearing from you soon.

Karl Kendall -Deputy Vice President
Engineering & Environment Division
Export Import Bank of the United States

tel: 202-565-3580
fax: 202-565-3580
karl.kendall@exim.gov

Questions from the Export Import Bank of the United States, Engineering & Environment
Division, as Pertaining to the Camisea Project

July 2, 2002

- 1) How is the Ministry of Environment's oversight relating to that of the Ministry of Energy and Mines with reference to the Camisea Project?
- 2) When Resolution of 17 December 2001 was issued for Project, certain (few) conditions were stated. Has Government of Peru satisfied itself that the conditions have been met?
- 3) What is Government of Peru's position as to preserving biodiversity? Block 88 represents 170,000 hectares of which 90% is reported by ERM to be in pristine primary forest.
- 4) Pluspetrol is reported to be planning further developments in adjacent blocks also occupying pristine areas inhabited by indigenous populations. Please confirm, elaborate and explain Government of Peru's approach to increasing oil and gas concessions within sensitive areas.
- 5) We understand that further forestry concessions are being granted in the surrounding areas (north, northeast, and southeast of Block 88). How can further degradation occur? Is certification planned? Offsets as compensation for degradation?
- 6) Recent changes to the overall Project include an increase in pipeline diameter, larger areas required for supporting infrastructure, and the additional (relocation) of the LPG facility as part of the upstream portion of the Project. Particularly we understand the LPG facility is facing environmental and social obstacles and sensitivities which will be explained in the future EIA. What will be the role of the Government of Peru in the final location selection?
- 7) The Environmental Management Plan for Block 88, as generic as it is, makes reference to EPA SW 846 for monitoring soil, groundwater, surface water, air and so forth. How will these rather strict methods be enforced if monitoring has been lacking the far from both the Sponsor's side and the Government's side?
- 8) The Project does not seem to even closely follow World Bank standards and safeguard

policies (4.04 natural resources, 4.12 indigenous people, and so forth). To what standards (ecological and socio-cultural) does the Government of Peru see the Project committed?

9) The Project EIA and Sponsor's documentation addresses to a better extent the direct and short term impacts. Indirect and long term impacts covering the 30 plus years operation of the Project could be significant yet have not be taken into account. What is the Government of Peru's view on this critical point? Is the Government developing any plans to mitigate induced access impacts that could otherwise lead to severe loss of forest and freshwater habitats, affect livelihood, cause increased social conflict and loss of cultural integrity within the affected communities?

10) Public consultation process as carried out in connection with the EIA is deficient and did not allow communities to make informed decisions. What is the role and part of the consultations undertaken by the Government prior to, during and after project implementation?

11) Compensation Plans have raised concern among communities and NGOs for not representing a fair and equitable process. Is the government committed to additional compensations and how were short and long term impacts factored into the compensation process? Explain Government of Peru's role in compensation process.

12) What are the mechanisms that the Government of Peru has in place to monitor the Project, its compliance, penalties, and so forth?

13) Has Government of Peru developed a Revenue Management Plan to ensure that affected communities are getting their appropriate share?

14) Pluspetrol seems to indicate that controlling the access to the area, as well as what happens once construction of a component is finished, represents the responsibility of the Government. Where does the Government of Peru see its role beginning and ending? (At buildings in camps, development programs in communities, and so forth?)

15) Could representative of the Government of Peru explain how the short term and long term loans from IDB to develop programs will be implemented?

16) The Project is quickly advancing yet there is no methodology or mechanism in place for the Sponsors to ensure that contractors are complying with the necessary requirements, nor is there a government presence to oversee the sponsors activities. How is the Government of Peru keeping the project under control? Neither Pluspetrol nor Techint have an exemplary environmental or

social record.

17) As per the ILO Convention 69 - Indigenous People's Rights, does the Government of Peru consider that the Project adequately responds to the principles of the Convention? Also as to other conventions? (Such as biodiversity?)

Karl Kendall DVP
Engineering & Environment Division
Export-Import Bank of the U.S.
811 Vermont Ave. NW
Washington D.C. 20571

Tel: 202-565-3580
Fax: 202-565-3584
karl.kendall@exim.gov