

TABLE OF CONTENTS

	Page
Main points of this advice	1
1. Introduction	3
1.1 The Chad Export Project	3
1.2 Reasons and objectives for this advisory review	4
1.3 Method of review	4
2. Main observations	5
2.1 Commitment	6
2.2 Information imbalance	7
2.3 Main focus on construction phase	7
2.4 Revenue redistribution and safety	7
2.5 Compliance with WB OP 4.01	8
2.5.1 Project objectives	8
2.5.2 Environmental Management Plan	9
2.5.3 Alternatives analysis	11
2.5.4 Environmental impacts	12
3. Conclusions	13
4. Recommendations	14
4.1 Supplementary information	14
4.1.1 Commitment and project objectives	14
4.1.2 Socio-political risks	15
4.1.3 Capacity building, external monitoring and oil spill response	15
4.1.4 Alternative: Limbé and an onshore storage terminal	16
4.1.5 EMP sustainability and residual impacts	16
4.1.6 New and other oil developments	16
4.2 Independent External Monitoring	16
4.2.1 Company performance	16
4.2.2 Overall independent external monitoring	17
4.2.3 Legitimacy and follow-up on monitoring	17
5. Benchmarks if the project is approved	18

Appendices

1. Letter from DGIS dated 21 June 1999 in which the Commission has been asked to submit advisory review
2. Project information
3. Follow-up of the Worldbank dated 11 June 1999 on the Commission's Advisory review of the environmental assessments of the Chad export project in Chad and Cameroon dated 2 July 1998
4. Recommended criteria for external independent monitoring for the Chad Export Project
5. Monitoring programme and monitoring standards

MAIN POINTS OF THIS ADVICE

The Commission for Environmental Impact Assessment was invited to review the Environmental Assessment of the Chad Export Project. In this advisory review the Commission presents its observations, conclusions and recommendations for decision making. The Commission drew upon its advisory review of July 1998 and the various World Bank guidelines on Environmental Assessment when compiling this advice.

The Commission observes that:

- ! The environmental impact assessment for the Chad Export Project provides much valuable information for decision making.
- ! On a number of essential issues information is still lacking. The Commission's observations relate mainly to the following:
 - a lack of clarity about the commitment of project proponents to implement the project in compliance with the contents of the EA, and incomplete information about the objectives of the project;
 - no analysis was made of the risk of sabotage of the transport system and the selection and adequacy of mitigating measures;
 - insufficient information is presented on provisions taken to develop the implementation, monitoring and enforcement capacity in Chad and Cameroon;
 - there was no consideration of an alternative onshore terminal in Limbé, which might be preferable from an environmental point of view;
 - the oil spill response plan was not included in the EA;
 - insufficient assessment was made of the residual environmental impacts;
 - the recognition of a need for independent external monitoring.
- ! It will only be possible to come to a balanced decision if this information is first provided and reviewed.

If the decision is taken to approve the project after this missing information is provided, the Commission recommends:

- providing additional information on the issues mentioned above, followed by an independent review;
- considering the selection of contractors in possession of ISO 14000 certificates;
- establishing an international advisory group to the World Bank to provide independent external overall project monitoring.

The Commission also proposes criteria for external independent monitoring and a monitoring programme.

If the project is approved before the additional information is provided, the Commission recommends:

- establishing tools for independent external supervision at the earliest possible date;
- ensuring commitment of TOTCO, COTCO, EECPI and the governments of Cameroon and Chad to the content of the EA at the earliest possible date;
- pursuing publication and external independent review at the earliest possible date for:
 - a) the proposals for external monitoring of the project and capacity building,
 - b) the oil spill response plan, and
 - c) a justification for the selection of the Kribi offshore terminal as opposed to the Limbé onshore terminal.

The Commission also recommends that before the transport system becomes operational it should be ensured that:

- guarantees are adopted for compliant execution of EMPs when oil prices are low;
- a link is established between uninterrupted working of the oil transport system and the quality of life of the people living in the surrounding areas.

1. INTRODUCTION

1.1 The Chad Export Project

The government of Chad intends to exploit its natural oil resources to stimulate national development by investing the revenues in education, health and infrastructure. Prospecting for oil in Chad has been continuing since 1969. In the oil fields of Komé, Bolobo and Miandoum (the Doba oil fields) exploration started in 1974. In 1988 an agreement between the Chad Government and a Consortium of oil companies^{1]} granted the Consortium a permit to explore 4.8 million hectares in Chad. The same agreement granted the Consortium a concession to develop individual fields and extract crude oil for a period of 30 years. The Consortium is now considering the development and transport of crude oil to Kribi, Cameroon from the Komé, Bolobo and Miandoum oil fields. These fields are expected to produce 225,000 barrels per year during top production (production years 2-6), gradually falling to 25,000 barrels in production year 30. The fields are expected to produce a total of 924 million barrels over the 30 year exploitation period.

A private company, ESSO Exploration and Production Chad Inc. (EECPI) has been appointed by the Consortium to operate the Doba oil fields.

Two private companies, Tchad Oil Transportation Company (TOTCO) and Cameroon Oil Transportation Company (COTCO), intend to transport the crude by means of a pipeline and an offshore loading facility. The total length of this pipeline is 1070 km, of which 170 km will be in Chad. The pipeline in Chad will be exploited by TOTCO, in which the Consortium and the Chad government participate. The pipeline and offshore loading facility in Cameroon will be exploited by COTCO, in which the Consortium and the Cameroon and Chad governments participate.

The government of Cameroon intends to take advantage of the opportunity of constructing and exploiting its part of the pipeline to create job opportunities and to resolve some of its economic problems.

The Consortium will provide the majority (about 97%) of the investment capital needed. An International Finance Corporation (IFC) loan has been requested by both TOTCO and COTCO. The government of Chad will provide USD 45 million for investment in the Chad portion of the pipeline. The Chad government has asked for a World Bank loan (International Bank for Reconstruction and Development, IBRD). The Cameroon government will provide USD 70 million for investment in the Cameroon portion of the facilities. The Cameroon government has also requested a World Bank IBRD loan. It is assumed that involvement of the World Bank will facilitate commercial loan contracting by the Consortium.

According to World Bank's Operational Directive OP 4.01 the project, which includes exploitation and the construction and operation of the oil pipeline and offshore facilities, is a Category A project and requires a full environmental impact assessment, to be presented by the borrowers. The borrowers are the governments of Chad and Cameroon, COTCO and TOTCO.

1 This Consortium currently (since 1993) comprises Esso Exploration and Production Chad (40% and operator), Société Shell Tchadienne de Recherche et d'Exploitation (40%) and Elf Hydrocarbures Chad (20%).

1.2 Reasons and objectives for this advisory review

The Netherlands, as a shareholder in the World Bank and by its position on the Board of Directors of the World Bank, has to substantiate its position on the project. In order to assist in the identification of possible benchmarks for discussion by the Board – should such a discussion be held – the Dutch minister for development cooperation invited the independent Dutch Commission for Environmental Impact Assessment to provide advice based on the draft version of the environmental impact statements of March 1998. The Commission published an advisory review in July 1998 (ISBN 90-421-0397-3). In June 1999 the final version of the environmental impact assessment for the Chad Export Project was published. By letter of 21 June 1999 (see Appendix 1) the minister for development cooperation invited the Commission to review this final version and related documents, to advise on a structure for external monitoring and to provide general advice on an approach to capacity building in both countries.

This advice has been formulated by a Commission working group (see Appendix 2). The group represents the Commission and is from now on referred to as 'the Commission'. In the Commission there are representatives from following disciplines: ecology, sociology, anthropology, oil exploration engineering, soil quality management, production and transport (including subcontracting), environmental aspects of oil exploration, agriculture, animal husbandry and range management.

This advisory review is based on the following documents, made available to the Commission by the Ministry of Foreign Affairs:

- ! Environmental Impact Assessment Chad and Cameroon portions (19 volumes).
- ! Conventions of Establishment of TOTCO and COTCO.

The Commission has asked for information on the projects under preparation on external independent monitoring and capacity building. The Commission has also asked for information on oil spill response. This information has not yet been made available to the Commission.

1.3 Method of review

The review was performed according to the World Bank's Environmental Source Book, Operational Directives 4.01 (Environmental Impact Assessment), 4.20 (Indigenous People), 4.30 (Involuntary Resettlement), Operational Policies on Forestry (OP 4.36) and Natural Habitats (OP 4.04), Environmental Source Books Update on Public Involvement in EA, Technical Paper 80 (Involuntary Resettlement in Development Projects) and 126 (Environmental Considerations in Port and Harbour Developments). In addition, the Commission drew upon its advice dated July 1998 as reference material.

Observations presented in this advisory review only address the essential issues. In addition, the Commission has drawn up a list of more detailed observations and recommendations, also with regard to the review of the EA based of the previously mentioned World Bank guidelines. As those observations and recommendations do not touch upon the essential issues pertinent to the decision making, the Commission will submit this list separately.

The Commission's working group includes experts with extensive experience in Cameroon and Chad and one member is a resident of Cameroon. It organized an information session with resource institutes in the Netherlands involved in projects in both Chad and Cameroon and has been in contact with resource persons in both Cameroon and Chad. No site visit took place as this was not considered necessary for coming to a judgement on the extensive written documentation. It would,

however, have given the Commission additional information and helped it to formulate more detailed recommendations.

2. MAIN OBSERVATIONS

The Commission is of the opinion that the EA, in comparison with the drafts of April 1998, provides much additional and valuable information. The Commission appreciates the thoroughness of the study and the attempt to be comprehensive.

Positive points on the reports are:

- ! Considerable additional fieldwork has been done since the draft stage.
- ! In compliance with the update to the World Bank Environmental Source Book on public involvement in environmental impact assessment, an extensive effort has been undertaken to inform the public about the project, including the provision of public documentation on the project.
- ! The EA makes it clear that the project will develop using an adaptive design approach and that there will be a learning process during implementation in the field.
- ! Selection of the minor routing alternatives (Mbere rift, Deng Deng) has been conducted properly, in compliance with the update to the World Bank Environmental Source Book on alternative analysis and the OPs on forestry and natural habitats.
- ! In specific areas the EA provides information with a high level of detail.
- ! The EA is well presented and easy to read.

Although appreciating these positive points, the Commission is of the opinion that essential information is still lacking. The observations in sections 2.1 through 2.5 substantiate this conclusion.

2.1 Commitment

The governments of Cameroon and Chad and the Consortium (with EXXON as operator) are partners in the Chad Export Project. They are represented through the private companies TOTCO, COTCO and EECPI. TOTCO and COTCO, in seeking World Bank loans, are project proponents in a direct sense. Both governments, in seeking World Bank loans, are project proponents in a direct and, as partners in TOTCO and/or COTCO, in an indirect sense. For practical reasons the project proponents decided to jointly submit one single EA, which lists the tasks and responsibilities of the five partners in implementing the project. The EA, however, does not make clear which proponents are bound by its contents.

- ! In the EA, the responsibilities of the governments of Chad and Cameroon are portrayed as being outside the competence of 'the project'². These responsibilities are listed but not worked out in detail.

2 For example, transport system security, control of illegal logging and poaching, provision of health services for the population along the transport system, environmental and social monitoring, external monitoring (see EMP Volume 1, Chapter 4 and executive summary 9.32 and 9.40).

- ! The objective of both governments and of TOTCO and COTCO of selling any excess capacity in the oil transport system to third parties (objective acknowledged by the World Bank³) is not presented as a 'project objective'⁴].

Nothing could be found in the EA that confirms the commitment of all the proponents to its contents.

This point concerns the Commission. The Commission fears that only the Consortium feels bound by the content of the EA and not the other stakeholders in the project (such as the Chad and Cameroon governments, TOTCO and COTCO). If, indeed, only the Consortium is committed to the contents of this EA, it hardly seems possible to enforce compliance with the majority of measures and standards proposed in the EMP. The statement that 'any future new oil development will respect the same level of environmental analysis and consultation as the present project' is then meaningless. If, for example, the Doba fields are passed their peak production years and the Consortium sells its shares in EECPI, TOTCO and COTCO, would there be any guarantee for further environmental compliance?

The Commission is of the opinion that:

- ! The EA must make clear which proponents are committed to implementing the initiative in compliance with the content of the EA.
- ! In the EA all responsibilities of all the proponents involved must be considered an integral part of the initiative and described to the same level of detail.

Many of the shortcomings in the EA, which are discussed in the following paragraphs, follow logically from the deficiencies mentioned above.

2.2 Information imbalance

The Commission observes a difference in the level of detail in the information on the various aspects addressed in the EA. An example of this imbalance is the information on the two countries' responsibilities and the way the countries will assume these responsibilities.

For Chad a revenue management plan and a regional development plan have been drawn up. Its compensation plan is well defined, compiled and evaluated. The legal instrument for implementing these plans is in place and a broad-based monitoring commission has been established under the chair of a Supreme Court judge. Some information on capacity building for this commission is also provided.

For Cameroon no instruments of application have been described for the laws promulgated. There is no information on revenue management and the compensation plan still requires amendment. The monitoring procedure has a narrow base and lacks the necessary detail (see § 2.5 of this review). The EA does not provide information on capacity development (see § 2.4 of this review).

Another pronounced example of information imbalance is that while the EA mentions the kitchen equipment in the work camps (GPS 021) it does not address the financial feasibility of exploitation of the transport system and compliant EMP implementation when oil prices are low.

3 See the World Bank's reaction on the Commission's advisory review of July 1998 (Appendix 3).

4 See also paragraph 2.5.

2.3 Main focus on construction phase

The EA mainly focuses on the construction phase, whereas the Commission's experience is that environmental risk is just as – if not more – pertinent in the operational phase and decommissioning phase. The oil spill response plan is not included; there is insufficient information on aspects of maintenance and inspection of the engineering plant in the operational phase; development of the legislative and regulatory frameworks and the development of capacity to monitor and enforce compliance have been insufficiently addressed. In the following paragraphs these subjects are discussed in more detail.

2.4 Revenue redistribution and safety

In its advice submitted in July 1998 the Commission pointed out the risk of social and environmental impacts resulting from possible acts of sabotage in response to disappointment about the redistribution of project benefits in relation to expectations raised. In the draft EA the Commission did not find a socio-political risk assessment.

In its present form the EA does not present the analysis of the socio-political situation in the regions and countries. It does not specify the (nature and the geographic spread of) risks that the present socio-political situation might carry for the oil exploitation activities and the oil transport system.

Given the absence of this analysis, the Commission concludes the following:

- ! It cannot be judged whether the Revenue Management Plan and the Regional Development Plan will be effective in preventing the risk of sabotage. The inclusion of these plans shows that the project partners acknowledge that there are socio-political risks that must be mitigated. The underlying analysis, though, is not presented.
- ! The EA does not identify any risks associated with any part of the full length of the transport system in Cameroon. In the Commission's view, the experience of the oil industry in neighbouring Nigeria suggests that there is an inherent risk where a pipeline crosses an area without bringing noticeable benefits to the local population. In the EA no indication could be found that in Cameroon a link will be established between undisturbed oil transport and the increased well-being of population groups along the pipeline. Reference is made to the two governments to ensure the security of the transport system.^{5]} Also, soliciting in-country support for the project, the Cameroon government has promoted the project as a creator of jobs^{6]} in the early stages of project development. As the reality turns out to be different, disappointment has followed.

The Commission is of the opinion that a proper socio-political risk assessment could have led to verifiable and adequate mitigation of risks to the engineering installations.

2.5 Compliance with WB OP 4.01

5 See also under 2.5.2

6 20,000 job seekers have registered after public information rounds in Cameroon.

2.5.1

Project objectives

In reaction to the Commission's advisory review of July 1998, the World Bank (see Appendix 3) states that both governments, TOTCO and COTCO intend to sell excess capacity of the oil transport system to third parties. This should have been mentioned in the EA as one of the project objectives. The development of other oil fields significantly widens the scope of the project and its environmental and social impacts. It is recommended including the description of possible exploration and development activities associated with other oil production sites to be linked to the oil transport system (and comprehensive plans for oil development in the region, if present) in the EA, and assessing their environmental and social impacts under the heading 'induced impacts'.

2.5.2

Environmental Management Plan

! Capacity development for implementation, monitoring and enforcement

In spite of the fact that the legislative and regulatory basis remains unclear, the EA attributes important monitoring and enforcement tasks to both governments. These tasks will be all the more complicated, and necessary, because the standards and targets set in the EMPs are so high that technical design and environmental management procedures will probably undergo frequent modification during operations in the field. Moreover, the EA indicates that many decisions on concrete activities and impact mitigation will be taken in the field.^{7]}

World Bank OP 4.01 (Annex C under 4): 'The EMP draws on the EA's analysis of the existence, role and capacity of environmental units on site or at the agency and ministry level. If necessary the EMP recommends the establishment or expansion of such units, and the training of staff, to allow implementation of EA recommendations. To strengthen environmental management capability in the agencies responsible for implementation, most EMPs cover one or more of the following additional topics: a) technical assistance programs, b) procurement of equipment and supplies, and c) organizational changes. (Annex C under 4) For all three aspects (mitigation, monitoring and capacity development), the EMP provides a) an implementation schedule for measures that must be carried out as part of the project, showing phasing and coordination with overall project implementation plans; and b) the capital and recurrent cost estimates and sources of funds for implementing the EMP. These figures are also integrated into the total project cost tables'.

The Commission is of the opinion that, in accordance with OP 4.01 (see box), the success of the EMP depends on the development of adequate capacity in the Chad and Cameroon government agencies. The Commission has found insufficient information in the EA on building this enforcement capacity. The measures described in Chapter 4 of both EMPs are still incomplete and may not be enough to set up an efficient enforcement structure at the governmental level.

For information on capacity building the EA refers to projects to be developed in parallel with the Chad Export Project by the respective governments and the World Bank. These projects are classified as category C projects (no EA needed) and will not undergo public scrutiny. Moreover, proposals for these projects might not be submitted before decisions on the Chad Export Project are made. According to the Commission this situation does not comply with the requirements stated in OP 4.01.

The Commission favours a better balance between the level of information on the standards and targets for environmental quality and the level of information on the development of capacity to effectively achieve these targets and enforce these standards in all phases of project execution. The Commission interprets OP 4.01 as meaning that the institutional analyses and resulting

⁷ The text of the EA is full of statements like: 'as needed', 'suitable', 'in some cases', 'appropriate', 'when feasible', etc.

activities to build enforcement capacity are presented in the EA and reviewed as part of it before decisions on project approval are taken.

! Monitoring structures

Monitoring by the private companies

- The design of monitoring structures predominantly focuses on the construction phase.
- The way in which the Adaptive Design Process will be monitored remains unclear. The composition and competence of the proposed Change Review Board remains unspecified.
- The Commission questions whether the proposed follow-up and sanctioning system in case of non-compliance will be effective.
- Auditing by independent private companies of the compliant application of environmental management systems (e.g. ISO 14001 or equivalent) is not addressed, although this is now common practice for qualified contractors.

Monitoring by the governments

The EA indicates that both governments have the responsibility for environmental and social monitoring and enforcement. Further, it is clear that compliance of any new oil development with the standards set by the present EA will have to be guaranteed by the governments' monitoring and enforcement structures.

The Commission considers that the EA does not provide sufficient information on the monitoring and enforcement structures and capacities of the national governments.

- The competence of the national monitoring structures remains vague. The EA does not specify which options for follow-up action or sanctions will be available to the national enforcement structures in the case of observed non-compliance in actual or future project execution.
- The composition and competence of the independent panel of experts have not been addressed in the EA. The EA does not make clear how the independence of this panel is guaranteed (the panel is paid by the respective governments), to whom and how often they report and whether their reports are public. Moreover, it is not clear whether the panel will only function in the context of the Chad Export Project or if it also has a role to play in any future oil development activities.

The Commission would like to highlight the structure of the Cameroonian monitoring system as an illustration of its concerns. Overall monitoring is to be performed by the 'Comité de Pilotage et de Suivi des Pipelines' (CPSP). The CPSP reports to, and is paid by, the Société Nationale des Hydrocarbures (SNH), the Cameroonian agency under the highest authority that controls oil and gas exploration and production in Cameroon. SNH is also the organization representing the Cameroon government in the COTCO partnership. The Commission questions whether the SNH, a partner in the project, can also coordinate the action of other government bodies in enforcing the project without there being a conflict of interest.

Under the coordination of the CPSP, the administrative supervision and technical inspection of the construction and operation of the installations is to be carried out by the 'Service d'Inspection des Pipelines' (SIP) of the Ministry of Mines and Energy (MINMEE). The institutional strength of the SIP (staff numbers, qualifications, budgets, working relations and competences) has not been addressed in the EA.

In the present situation the SIP is the only agency in Cameroon not directly linked to the project partner SNH that would be involved in project monitoring. Nevertheless, this agency will have to work under CPSP coordination. The Commission would advocate a more broad-based (and more independent) monitoring and enforcement structure for the project.

External independent monitoring

The EA refers to the governments for external monitoring. While government monitoring of the project at a local and national level is vital, as both governments are partners in the project, it is not in the position to provide independent external monitoring. In view of the actual weakness of governmental structures in Chad and Cameroon, the Commission considers external independent monitoring to be crucial in ensuring that project implementation is compliant with standards and targets set out in the EA.

The Commission is aware that the World Bank is preparing a project on external monitoring for the Chad Export Project. If this project is classified as a category C project (no EA needed) it will not undergo public scrutiny. Moreover, proposals for the project may not be submitted and publicly reviewed before a decision is made on the Chad Export Project.

The Commission advocates a comprehensive and transparent external independent monitoring structure as an integral part of the project and recommends presenting a proposed structure for independent and public review before decisions on the project are taken.

! Security of the installations

The EA states that the security of the installations is the responsibility of the governments. It does not provide information on how the governments will guarantee this security.

2.5.3

Alternatives analysis

The method used to integrate environmental issues during the design phase is correct in the view of the Commission. The Commission, however, questions the approach used to compare alternatives with the preferred option rather than comparing the impacts of all alternatives with the environmental baseline situation (the reference situation).

! Non-preferred alternatives are too often only described in a negative way. No attention is paid to their positive aspects, or to the detailing on mitigating measures for some of their negative aspects.

The result is that the preferred option is treated differently from the other alternatives. One example of the imbalanced treatment of alternatives concerns the preferred Floating Storage and Off loading (FSO) vessel. Only the advantages of an offshore terminal are mentioned. Important disadvantages compared with an onshore terminal remain unmentioned or are said to be highly improbable (e.g spills, ballast and bilge water disposal).

! Alternatives are treated per category and not in combinations. From the EA it cannot be judged whether an onshore storage terminal (the best option from an environmental standpoint) in Limbé would have been preferable to the proposed offshore FSO in Kribi or not. The Commission cannot verify the correctness of the arguments for discarding Limbé as loading point. It is not clear why pipeline alternative B with an oil terminal at Limbé has not been considered, given the values at stake at Kribi: biodiversity, forests, indigenous people, tourism and landscape. If Limbé and Kribi can be considered equally suitable, as stated on pages 5-11 of the executive summary and update, the onshore option is much better in Limbé. The induced side effects of project implementation will definitely have less impact in Limbé than in the virgin area of Kribi. Also, project implementation will lead to increased political pressure to further

OP 4.01 (Annex B under f): 'The EA should include the following items: Analysis of alternatives. Systematically compares feasible alternatives to the proposed project site, technology, design, and operation – including the "without project" situation – in terms of their potential environmental impacts; the feasibility of mitigating these impacts; their capital and recurrent cost; their suitability under local conditions; and their institutional, training, and monitoring requirements. For each of the alternatives, quantifies the environmental impacts to the extent possible, and attaches economic values where feasible. States the basis for selecting the particular project design proposed and justifies recommended emission levels and approaches to pollution prevention and abatement.'

develop the economic potential in the Kribi area. This knock-on impact of the selection of Kribi as a loading point and their environmental consequences have not been taken into account.

The Commission concludes that although there is much more useful information on alternatives in this EA compared with the draft EA of April 1998, not all feasible (combinations of) alternative options have been evaluated. On the basis of information contained in the EA an objective comparison of the on-shore Limbé terminal alternative and the off-shore Kribi terminal alternative in particular is still not possible.

2.5.4

Environmental impacts

! Oil spill response

In the operational phase of the project, the single most harmful potential environmental event is an oil spill. Spills may be the result of technical or human failure. As experience in Nigeria shows, they may also result from sabotage.

- The EA *does* give information on the measures that will be taken in the technical, procedural and capacity building fields to minimize the risks of spills occurring.
- The EA *does not* present the assessment (identification, qualification and localization) of the risks of sabotage (in Chad and Cameroon), how this risk is mitigated (Cameroon) and how effective this mitigation is (Chad and Cameroon) (see also section 2.4 of this review).
- Moreover, the EA *does not* give sufficient information on how the project organization will respond to spills, how effective this response will or can be and what the residual environmental and social impact of possible spills will be.

These issues are addressed in an oil spill response plan. The EA states that the oil spill response plan for the Chad Export Project will be published during the operational phase of the project. The Commission holds the view that the oil spill response plans for soil, for marine ecosystems and for groundwater and surface water are too important for making an informed judgment of the potential and probable environmental impacts to postpone its review until the operational phase of the project. This opinion is further supported by the fact that the budget for oil spill response equipment (USD 100,000) is considered inadequate.

- !** The EA does not present an assessment of the environmental impacts of the project. Contrary to the requirements of OP 4.01, potential impacts after implementation of the EMP (residual impacts) have not been assessed. The EA does identify potential impacts and describes mitigating measures for most of the impacts identified, but it does not quantify their effectiveness and does not assess the impacts of the project if it is implemented as described in the EA.

*World Bank OP 4.01 (Annex B under e.):
'The EA should include the following items: Environmental Impacts. Predicts and assesses the project's likely positive and negative impacts, in quantitative terms to the extent possible. Identifies mitigating measures and any residual negative impacts that cannot be mitigated'*

3.

CONCLUSIONS

- !** The Commission is of the opinion that the EA provides much additional and valuable information over that contained in the drafts of April 1998.
- !** The EA does not state who the project proponents are and whether the proponents (governments of Chad and Cameroon, TOTCO, COTCO) and EECPI are committed to the content of the EA. As a consequence, one cannot be sure that all entities mentioned accept the statements made in the EA. If the EA does not name the project proponents, the proponents

can deliberately deny their responsibilities as listed in the EA once a favourable funding decision has been obtained. The value for decision making of the present EA can, therefore, not be evaluated.

- ! Both governments and both companies exploiting the transport system plan to transport oil from sources other than the Doba oil fields. The EA does not state this objective of the project. Any developments (and their environmental consequences) that may result from this objective are not addressed in the EA.
- ! The EA provides a considerable amount of valuable information on the high environmental and social standards and targets of the project. The Commission concludes, however, that the EA does not provide enough information to facilitate a review of the adequacy and timely availability of the infrastructure and provisions to ensure that targets are achieved and standards met. The World Bank's Operational Directive 4.01 specifically requires that the EMP includes the mitigation, monitoring and enforcement tasks and responsibilities of local government and the way in which these tasks and responsibilities will be allocated during implementation of the project. The philosophy behind this requirement is to provide guarantees to decision makers and the public that the project will be implemented in compliance with the EA. The present EA (both parts, but with special reference to the Cameroon portion) does not fulfil this World Bank requirement.
- ! The major environmental threat posed by the project in its operational phase is the occurrence of oil spills. The EA lacks crucial information on spills, spill response and the environmental and social impacts of spills.
- ! The Commission is of the opinion that the analysis of alternatives is incomplete^{8]} and to some extent works towards predefined results, specifically in the selection of the terminal at Kribi as opposed to the terminal at Limbé. By not entering into a comparison between an onshore terminal in Limbé and the proposed offshore terminal in Kribi, the selection of alternatives is biased. There is no valid reasoning for selecting Kribi as the location for the terminal^{9]}.
- ! Assessment of project impacts (after project implementation in compliance with the EMPs) is lacking. The EA does not provide insight into the environmental impacts if the project is implemented as proposed.

The Commission concludes that the present EA does not sufficiently address some of the major concerns set out in its advice of July 1998. It also concludes that the EA does not fully comply with World Bank OP 4.01 and believes that accountable decision making is not possible with the information presently available.

The following chapter sets out the actions that in the view of the Commission must be carried out to remedy the observed shortcomings of the EA and EA.

4. RECOMMENDATIONS

4.1 Supplementary information

8 For example, an important induced impact, that the selection of Kribi will give a boost to the political and economic push to further develop the economic potential of the Kribi area (with related environmental effects), is unjustifiedly denied.

9 If the decision to select Kribi was already irrevocably taken before the EA process, the EA should have mentioned this fact as a point of departure.

4.1.1 **Commitment and project objectives**

If it is not clear which project proponents are committed to implementing the project in accordance with what has been stated in the EA, the value of the EA for decision making is not clear. The Commission recommends publishing an addendum to the EA stating the partners in the project and their commitment to carry out their share of the tasks and their responsibilities for carrying out the project in accordance with the provisions of the EA. The Commission also recommends that this addendum states all the objectives to be pursued by each of the project proponents and that it be published before decisions are taken.

4.1.2 **Socio-political risks**

In Nigeria monetary compensation is paid for pollution of land by oil. The facts indicate that this compensation works as an incentive to pollute. The Commission suggests developing incentives to prevent pollution and advocates undisturbed functioning of the transport system. The Commission therefore recommends that a socio-political risk assessment of the oil transport system be carried out in order to pinpoint potential risks and evaluate the necessity and effectiveness of establishing (as a mitigating measure) a link between undisturbed functioning of the transport system and the quality of life of the adjacent population groups. One possibility would be to deposit an sum of money for every barrel of oil transported without problem, or for every day of undisturbed oil transport, in a series of locally-managed funds for local development.

4.1.3 **Capacity building, external monitoring and oil spill response**

In order to comply with OP 4.01 and establish confidence that project implementation will conform to that stated in the EA, the Commission recommends including detailed information on the capacity building projects and the external monitoring project in an addendum to the EA, and that this information be reviewed before decision making.

With regard to capacity development for environmental monitoring and management, the Commission recommends some general guiding principles:

- Base the design of a capacity building project on an analysis of the socio-economic and cultural context, an analysis of formal and informal decision-making patterns and an analysis of the environmental problems that prevail in the countries where the project will be implemented.
- Make provision in the design of the project for assistance to the governments in setting-up a transparent and coherent national legal and regulatory environmental framework, and involve all parties that will have to implement this framework in its development.
- Base this framework and its implementation, monitoring and enforcement structures more on what is feasible than on what is considered desirable.
- Attribute the responsibility for environmental and social consequences of activities, plans, programmes and policies there where the decisions on these activities, plans, programmes and policies are taken, but place the coordination of compliance with legal and regulatory provisions in the hands of a coordinating ministry.
- Provide (in the legal and regulatory framework) for public participation in the design phase of activities, plans, programmes and policies.
- Ensure the inclusion of independent external expertise in the review of projects, plans, programmes and policies.
- Involve independent external parties in monitoring.

Oil spills are the major environmental threat during the operational phase of the project. This risk cannot remain unassessed, nor can the effectiveness of mitigating measures for spills or the

environmental and social impacts of spills remain unaddressed. The Commission recommends preparing and reviewing an oil spill response plan before decisions are taken.

4.1.4 **Alternative: Limbé and an onshore storage terminal**

The Commission recommends that an addendum to the EA be published and reviewed and that this can be shown to make a proper comparison of the environmental and socio-economic impacts between the Kribi-FSO alternative and a Limbé onshore storage terminal alternative. In this comparison, all qualified and quantified direct and induced impacts would have to be taken into account. The Commission recommends publishing this addendum before decisions are taken.

4.1.5 **EMP sustainability and residual impacts**

The Commission recommends that an assessment be made of the sustainability of the EMP (continuity of EMP implementation at low oil prices) and a summary overview compiled on residual environmental and social impacts to be expected if the project is implemented according to the EA. These should be published and reviewed before decisions are taken.

4.1.6 **New and other oil developments**

As a follow-up to point 4.1.1 and in line with the statement in the EA,^{10]} the Commission recommends preparing strategic EAs^{11]} for oil developments in the region that could be serviced by the transport system. The Commission also emphasizes the importance of an assessment of the cumulative impacts of all oil developments in the Gulf of Guinea^{12]}.

4.2 Independent External Monitoring

4.2.1 **Company performance**

The Commission recommends that the selection of (sub)contractors in possession of an ISO 14001 (or equivalent) certificate be considered. This certificate guarantees external monitoring of the (sub)contractors' environmental performance.

4.2.2 **Overall independent external monitoring**

In the framework of this review the minister for development cooperation invited the Commission to advise on the development of a structure for independent external monitoring. The Commission is aware that the World Bank is preparing a project to develop an external independent monitoring instrument for the Chad Export Project. The Commission proposes general criteria for independent external monitoring (see Appendix 4) and recommends an appraisal, based on these criteria, of the external independent monitoring structure resulting from the World Bank project^{13]}.

10 On compliance of new oil developments with the same level of environmental and social analysis.

11 Strategic environmental impact assessment for oil development assesses the environmental impacts of strategies to develop oil production in a distinct region before any concrete physical projects are planned. They allow for environmental management in the earliest possible phase.

12 See also the advice of the Commission of July 1998.

13 Despite the fact that a decision on the Chad Export Project has not yet been taken, information from Cameroon indicates that action is being taken in the field (especially the Kribi area) in anticipation of the decision to be taken. These developments, triggered by the explicit intention of both governments to execute the project as proposed, have a logic of their own and will probably not stop even if it is decided not to implement the project (or project components) or to implement them elsewhere. The Commission recommends that independent
(continued...)

The Commission has also drawn up a draft programme for independent external monitoring (see Appendix 5). The Commission recommends an appraisal of the external monitoring programme (the terms of reference for external monitoring) to be proposed by the World Bank on the basis of this draft programme. As the Commission judges independent external monitoring to be crucial for environmentally and socially sound project implementation, the Commission recommends that both appraisals be carried out before decisions are taken.

4.2.3 **Legitimacy and follow-up on monitoring**

Although project preparation is already ongoing, the Commission restates the advice in its July 1998 report and highly recommends the establishment of an International Advisory Group (IAG) for the Chad Export Project. The Commission offers to assist in defining tasks and responsibilities of an IAG.

- 1) The project will be built in a region possessing natural and human resources of global value. Moreover, the project will take place in a highly sensitive social and socio-political context. Inadequate project implementation that neglects environmental management targets and local population interests may trigger environmental and social disasters that put these natural and human resources at risk. The project has attracted worldwide attention, ranging from cautious consent to fierce opposition. The Consortium and the World Bank's movements are followed critically¹⁴].
- 2) After a decision in favour of going ahead, the World Bank will have limited leverage on the Consortium's performance. Adequate leverage can be obtained via public opinion.
- 3) The Chad Export initiative involves collaboration between private companies, weak governments and the World Bank. This has an experimental character and would benefit from external guidance.

An Independent Advisory Group, advising the World Bank and the Governments of Chad and Cameroon, could play an important role in easing the controversy by establishing independent monitoring and following this up, ensuring compliant project implementation and the provision of independent and unbiased information of the general public. In doing so the IAG would defend the interests of local populations and the global natural values.

5. **BENCHMARKS IF THE PROJECT IS APPROVED**

In his letter the minister invites the Commission to indicate benchmarks for use in an eventual board discussion on the project. In this chapter the Commission formulates recommendations applicable in the event of a approval of the project before additional information requested in Chapter 4 has been provided.

- A) To ensure development, at the earliest possible date, of as many tools as possible for external independent supervision:
 - 1) Pursue the establishment, at the earliest possible date, of an IAG and apply the criteria proposed for Independent External Monitoring (Appendix 4) to this IAG. Also, the

13 (...continued)

external monitoring of environmental and social developments be established to gather information on the induced environmental and social impacts of publishing development intentions and the impacts of a possible negative decision on the project. This monitoring should be set up even if the decision is taken not to execute the project.

14 The World Bank is considered by many to be a stakeholder in the project.

Commission recommends drawing up a Terms of Reference for the IAG that include supervision of the draft monitoring programme as proposed in Appendix 5.

- 2) Pursue the earliest possible publication and external independent appraisal of the formal project proposal on external independent monitoring. Considering the fact that the World Bank assisted the Consortium in drawing up the EA in its present form, that the World Bank is involved in negotiations with the Consortium and both governments on external and independent monitoring, and that the World Bank is also involved in negotiations with both governments on capacity building, the Commission is of the opinion that there is risk involved in relying on the World Bank as an independent party. To avoid even the possible appearance of a conflict of interests, the Commission recommends that an appraisal of the project proposal be carried out according to the criteria for external independent monitoring as proposed in Appendix 4, and the monitoring programme as proposed in Appendix 5 and be conducted by a party independent of the World Bank. An IAG, proposed under 1) could play this role.
- 3) Pursue earliest possible publication and appraisal by the IAG of the formal proposals on capacity building (Cameroon Petroleum Environmental Capacity Enhancement Project and Chad Petroleum Sector Management Capacity Building Project).

- B) Ensure the commitment of TOTCO, COTCO, EECPI and the governments of Chad and Cameroon to the contents of the EA and pursue publication of statements announcing this commitment at the earliest possible date.
- C) Ensure the earliest possible publication and public external independent review of the oil spill response plan.
- D) Ensure the publication and independent review of a unbiased justification for the selection of the Kribi offshore terminal and not the Limbé onshore terminal.

The Commission also recommends that before the transport system becomes operational, guarantees are given with regard to the following:

- E) The compliant execution of EMPs when oil prices are low. To this end, the Commission recommends the establishment of a special financial facility that accumulates funds when oil prices are adequate and that can be used to finance the implementation of the EMP when oil prices are low and the transport system cannot be used to generate additional income.
- F) Ensure the establishment of an effective, verifiable and tangible link between the quality of life of the population living near the oil transport system and the undisturbed functioning of this system. One possibility would be to deposit an amount of money in a series of locally-managed funds for local development for every barrel of oil transported without incident or for every day that oil is transport without problem.