

CAO CASE PROGRESS REPORT ALBANIA - BANKERS PETROLEUM COMPLAINT May 2016

CAO Mandate

The Compliance Advisor Ombudsman (CAO) is an independent office that reports directly to the President of the World Bank Group. CAO's mandate is to address complaints of people affected by projects of the International Finance Corporation (IFC) and Multilateral Investment Guarantee Agency (MIGA) in a manner that is fair, objective and constructive, and to enhance the social and environmental outcomes of projects in which these institutions play a role.

The Complaint

In March 2013, CAO received a complaint about IFC's funded Bankers Petroleum Ltd. (Bankers) project in Albania. The complaint was filed by an Albanian environmentalist on behalf of residents of the towns of Patos and Zharrëza in Albania. The complaint raises concerns about the impact on local communities of the extraction techniques used by Bankers at the Patos-Marinëz oil field, and questions Bankers' compliance with IFC's Performance Standards. The complaint maintains Bankers' drilling and production techniques may be responsible for earthquakes and other earth movements, which are causing cracks to buildings and impacting local irrigation networks.

CAO Assessment and Dispute Resolution Process

Following CAO's assessment of the complaint in 2013, the parties – community members and Bankers - agreed to engage in a CAO facilitated dialogue process and explore options for a joint fact-finding process aimed at addressing concerns about the seismic activity near Zharrëza and broader social and environmental issues surrounding the Patos-Marinëz oil field. Prior to initiating the formal engagement process, the CAO team worked closely with community members and local leaders to identify trusted community representatives to participate in the process. Once dialogue representatives were identified, the CAO team then convened a capacity building workshop focused on interest-based negotiation, effective communication, and principles of mediation and Alternative Dispute Resolution. The workshop also included developing a draft framework for dialogue. The capacity building approach has been repeated twice for new members that joined the Dialogue Group.

Fig 1: Communities and Company representatives during a roundtable meeting



The jointly agreed final framework in December 2014 involves a Dialogue Group comprised of appropriate management and staff from Bankers, and representatives from four impacted communities. Three sub-groups of the Dialogue Group were formed which focus on the three most important topics identified by the stakeholders: 1) Earthquakes, 2) Social Investment, and 3) Environment. In January 2015, these working groups began meeting monthly to agree and discuss key issues specific to the topic area. In the first six months of working group meetings, participants focused on exchanging information and learning more about the issues, concerns, and compliance or regulatory requirements. In a second phase of the process, which began in July 2015, working groups identified the principle issues to be negotiated, and strategies for implementing practical solutions and action plans. As a result of that complex process, the parties identified 33 activities related to earth movement (8 activities), environment (9 activities) and social investment (16 activities). The parties have since merged the Earthquake and the Environment working groups into one - namely Earthquake and Environment - to ensure a more efficient process and to avoid duplicating efforts.

As part of the dialogue process, Bankers committed to the installation of two seismometers to provide the communities with crucial information regarding the nature and depth of the earthquakes near the oilfield and enable them to jointly identify solutions. Consequently, the parties wrote a joint letter to high-level government officials seeking clearance regarding the installation of the seismometers and the uploading of seismic data to the national grid. The agreement for the seismometers' commercial connection, between BPAL and the relevant government bodies, will be executed within foreseeable time.

Fig 2: A company representative giving a presentation to the roundtable participants



Other agreements reached thus far in the process include:

- Agreement to conduct a study about the seismic activity in the region
- Air quality improvements in the area
- Employment opportunities for local community members
- Social investment

Most importantly, the progress includes mutual respect and trust amongst the representatives which has enabled them to build agreements through the dialogue process.



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Regarding eventual closure of the case, parties have agreed to a process where the agreements are signed off into a monitoring phase. The process thus ensures adequate implementation of the various agreements and subsequent closure upon satisfactory resolution.

This report and specific process outcomes, as provided in the Annexes 1 and 2, were agreed by the parties in working group meetings held in May 2016 (May 18th for the Earthquake and Environment working group and May 20th for the Social Investment working group).

The CAO dispute resolution process is ongoing and for more information please refer to - http://www.cao-ombudsman.org/cases/case_detail.aspx?id=197 and relevant documents <http://www.cao-ombudsman.org/cases/document-links/links-197.aspx>.



Annex 1 Earthquake and Environment Working Group

An official complaint regarding the Bankers Petroleum Project (IFC Project #27306) was filed to the CAO in March 2013. The complaint alleged the company’s operations have caused negative health impacts, accidents, contamination of irrigation networks, and seismic temblors that have damaged homes and buildings. Broadly, the complainants raised concerns about the impact of oil and gas development in their area and potential risks and damages to communities and the environment.

An assessment of the complaint was conducted between May and August 2013. Based on the interviews conducted during the CAO assessment, it was determined that the key issue to be addressed via a CAO process is the cause of earthquakes on and adjacent to the Patos-Marinza oilfield. There was broad agreement by Zharrëza residents, representatives of BPAL, and public sector representatives that this question could be answered more definitively through better, more trusted technical information. There also was agreement that any such inquiry should be cooperatively designed and should involve trusted, independent experts who specialize in seismology in the context of oil and gas development.

Different actions, investments, and studies have been proposed to allow all parties to navigate through the process towards resolution and final closure of the complaint. A dialogue group was set up. Key action items at the current time are below. Meeting minutes have been produced for each dialogue meeting and should be referred to for additional information

Category	Action	Status of Action	Status
Seismometer Installation and Operation	Seismometers to be installed within the field in consultation with relevant stakeholders and experts	Purchased and Installed – Complete 2013	IR
	Computers / Software and other required equipment to be purchased	Purchased by Bankers – Complete 2013	IR
	BPAL-Government agreement to be executed to connect seismometers to national grid; analyze and interpret the seismic data; inform the working group on the results of this investigation.	Bankers will follow up with the Geophysical Institute regarding the formal connection of the two seismometers to the national grid.	UM
Scientific Study of Seismic Activity	Identify and contract an agreed upon expert with the necessary skills to undertake an impartial assessment	BPAL has contracted a professor from Aristotle University of Thessalonica (AUTH) to conduct a research about the history and trends of tremors in the region. Phase I of the works has commenced and BPAL is committed to fund this process;	UM
		- The community representatives can take action and review the research with other experts (e.g. Albanian experts);	FS
		- CAO shared the Terms of Reference with the community members regarding the research about the history and trends of tremors in the region;	IR



Category	Action	Status of Action	Status
	Review Seismic Data	Professor from Aristotle University of Thessalonica will review seismic data when it becomes available, after he has completed phase I of his study. Activity dependent upon agreement from government departments in order that the data that is currently being broadcast by seismometers starts to be collected	FS
	Community representatives request a larger geological study on the long-term impact of Bankers operations.	- BPAL suggested that the achievement of this goal to be set in the long run, as internal multi-disciplinary technical analysis will be needed first.	FS
Operational Information	Bankers offers to provide information and documentation about the technology it uses in its operations (including extraction and waste water disposal techniques). Communities can request assistance from a third-party expert to explain the documentation.	BPAL offered information about its operations in a joint field trip that was organized on November 21 st for the members of the group. BPAL offered technical experts to present to the Dialogue Group - The community representatives: will ask for third party assessment	FS
	Identify an expert to conduct an independent assessment of BPAL operations, and an opinion on whether BPAL could be causing tremors. Identification of the expert should be based on a jointly agreed Terms of Reference and chosen by all members of the working group. (BPAL suggested participants identify international experts with experience in the specific type of technology BPAL uses.)	- The participants are committed to continue looking for an expert. It was suggested that CAO will offer support.	FS
Additional Support Actions	Bankers offers to contract an expert from Italy to consult with communities / engineer about appropriate home and building construction in seismic areas.	- BPAL is willing to provide this for the community as a value added to the dialog process - The majority of the community representatives are in favor.	FS

Legend:

- "Status of the issue": (1.FS) Facilitating settlement; (2.UM) Under monitoring; (3.IR) Issue resolved; (4.TC) Transferred to compliance
- List 1/2: List 1: Issues that are negotiable between community and the company; List 2: Issues that need the involvement of other stakeholders in negotiations (e.g. local government, other state agencies)



Earthquake and Environment Working Group Extended Dialogue

As well as Dialogue Group for the original complaint, the CAO has facilitated a structured process for discussing a number of topics which are of interest to the communities surrounding the Patos Marinza field. The topics, and in most cases the communities and individuals involved are outside the scope of the original complaint.

Environmental Dialogue

Category	Action	Status of Action
Env Monitoring	Bankers offered to provide monitoring report	Completed in 2015. Inc. presentation of data to Dialogue Group
	Develop and launch a participatory monitoring program involving citizens, company specialists, and appropriate outside experts.	7 People identified, trained in H2S, invited to sampling, received presentation by UKAS accredited Laboratory on Sample Analysis and QA/QC. Q1 Participatory Monitoring Completed, Q2 underway.
Air Quality	Take steps to improve air quality and ensure the environment is not causing health problems	<ol style="list-style-type: none"> 1. BPAL to continue the programs on air quality improvement and gas collection. 2. BPAL has presented information to the Dialogue Group about programs on air quality improvement and gas collection, field trip of facilities has been completed. This may be linked to Action 1 and the Monitoring group can share updates after each stage. 3. BPAL presented Environmental Report /2015 and Environmental Plan/2016 at the of the working group in January 2016.
	Finalize gas capture and pipeline projects, and agree on next steps: BPAL commitment (Feb 2015): - Gas capture infrastructure @ Satellite 3 in Belina will be installed in 1 month. - Another gas capture facility will be installed in front of the CTF. This will improve air quality near CTF because oil and gas gathers there, and the possibility of emissions is higher because of diluents used in the treatment process. - Pipeline project in the northwest (Kallm and Beline) will be completed by September 2015.	Pipeline complete Sat 3 complete Pad H Complete Pad D Ongoing CTF – TBC on timing



Category	Action	Status of Action
	Discuss other strategies the company and Dialogue Group can implement to improve air quality and reduce industrial pollution.	Company is considering gas plant
	Discuss and agree on strategies for paving the roads that BPAL vehicles use regularly, to reduce pollution and dust in those areas.	Company will continue to minimize trucking, installing flowlines, watering the roads, paving with produced sand where possible. However, infrastructure projects are the responsibility of the local / national authorities.
Safety	Explore options for re-locating or ensuring the safety of families who are living close to wells.	Bankers ensures the safety of families living near the wells through good operational practices, and technology. It maintains an effective Emergency Response Plan and respects all legally binding stand-off distances.
Recycling / Clean-up of Garbage	Implement a plan for a community recycling / clean-up program supported by BPAL	Bankers has offered to support a clean up program through provision of bins and to work with the recycling contractors to enable collection. BPAL has requested a viable plan from the communities which can be taken forward by the group.
Ecopit Remediation	<p>Clean up</p> <p>Discuss and agree on concrete steps for addressing eco-pit issue, with or without cooperation of state institutions. Including:</p> <ul style="list-style-type: none"> - Strategies for relocating people living close to ecopits, or for ensuring safety and eliminating risks and bad odor. - Strategies for involving the government in clean-up of eco-pits and potential relocation or other safety-assurance measures. - Implement BPAL offer to provide community members with reports about eco-pit monitoring. 	Ecology Pit 5 is currently being remediated. All permits are complied with, no evidence of safety issues arising from the Pits has been identified; Company has no plans to relocate people.
	Communities would like to expand the use of gas to heat houses and buildings.	The action of providing gas would be against the petroleum agreement and therefore not legal. Additionally the gas from many wells is sour, and dangerous. This request cannot be fulfilled.



Annex 2 Social Investment Working Group

Summary of Social Investment Dialogue Outcomes

Facilitated settlements

Category	Action	Status of Action	Status
Human Resources	Provide internships for local students studying in areas related to oil and gas, and potentially employ them afterwards.	BPAL will coordinate with the Faculty of Engineering and Mining about the internships BPAL stays open for internship agreements with other faculties. This will be implemented on annual bases.	UM
	Conduct a review of BPAL contracts with subcontractors (about employment of locals).	Bankers has included a provision in the contracts with subcontractors stating “under equal conditions, locals shall be given priority in employment” Bankers will regularly share information and statistics with the communities regarding BPAL employment of locals. This will be considered permanently.	IR
	Pursue opportunities for employing local oil & gas technicians who already have completed secondary education.	BPAL committed to support any initiative from the state education authorities with regard to creation of a training program for local oil and gas technicians. Inputs from community are expected. On regular basis	UM
	Make use of social media to post vacant positions.	Two meetings have been focused on information sharing on the BPAL hiring practices and employment policies. Potential actions that can be undertaken: - BPAL to use various channels (local employment office, website, social media, etc.) for posting job opportunities - BPAL to inform regarding the channels used to post vacant positions.	IR
Community Investment Program	BPAL offers to share findings from community surveys on people’s social investment priorities. Arrange meetings to discuss survey findings with three different, broad stakeholders groups: men, women and youth. The groups should not be more than 15 people.	In total 15 focus group meetings have been held with men, women and youth from Belina, Marinza, Zharrza, Sheqishta and Kallm i Madh, presenting the findings of the village survey. Complete October – November 2015.	IR
	Plant a line of trees to divide the industrial area from inhabited areas to assist in air quality improvement.	Parties agreed that BPAL will plant 1000 Paulownia trees by March 2016. The map of tree planting project was agreed by the participants. The trees are being planted on public land and on edge places where BPAL operates. Complete December 2015 – February/March 2016 Joint monitoring group to look at the number of trees planted, failed, missing, etc.	UM
	Discuss and agree on strategies for addressing water issues in Marinza: Agree on concrete steps BPAL will take to help resolve water issue through its community investment program, and the role community members can play in that effort. BPAL should contract with a hydrologist to conduct an assessment of the water system, and identify ways to support and resolve the community water supply issue.	MoU signed between BPAL and Roskovec municipality. Pursuant to MoU, BPAL and Roskovec municipality agreed to work together to achieve objectives relating to the feasibility study of Marinza household water supply project. BPAL provides funding for the study and engineering lead in respect to the project, whereas municipality oversees the activities and ensures government input. Parties agreed to engage third party expert in drafting and developing the project at study stage. Pre-feasibility study is completed, contract with third party placed and financing secured. Implementation timeline: October 2015 –November 2016	UM
	Provide heating in seven schools in the area where BPAL operates	After negotiation between the community members and the company, BPAL provided heating support for seven schools for two months. Complete February 2016.	IR



Facilitating settlement

<i>Category</i>	<i>Actions/Needs</i>	<i>Status of action</i>
Human Resources	Communities' need for vocational training for youth from impacted communities to increase their skills in oil related areas.	BPAL has provided information on the vocational training they have conducted in the last years, such as language courses, and other programs, providing data on the number of beneficiaries. A need assessment process is ongoing before making any commitments.
Community investment program	Discuss concrete proposals for a drinkable water system in Kallm.	A joint fact finding process between all proponents is needed in order to assess the current status of the system before any potential intervention.
	Explore options for how BPAL can create more social businesses.	BPAL will create a process of supporting social businesses like: creation of a call center in partnership with local government; or creation of a permanent structure (NGO, think tank or structure) with community reps. in order to provide local businesses with small grants. BPAL can support the process.
	BPAL offers to convene and support financially, a working group of 3-4 qualified people per community to prepare project proposals to submit to the government, in order to increase possibly of getting fund from the government – in accordance with local benefits obligations.	BPAL will support creation of a permanent community program for identifying funding opportunities and writing project proposals. Local government input will be needed. BPAL can support. Project proposals can be submitted on behalf of local governments, local NGOs, etc.
Transparency	CAO to facilitate a meeting of EITI in Marinza, with larger representation of respective community members in those meetings.	In May 2015 a meeting was held in Fier with the S&I wgroup on the Extractive Industry Transparency Initiative, presenting information on the EITI and the taxes paid by BPAL. A second meeting was requested to be held in Marinza in 2016.

Legend:

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