



DISPUTE RESOLUTION CONCLUSION REPORT BANKERS PETROLEUM-01/PATOS, ALBANIA November 2018

This report summarizes the CAO dispute-resolution process and outcomes in relation to the Bankers Petroleum-01/Patos complaint.

BACKGROUND

IFC project

IFC had an active project with Bankers Petroleum Ltd. (Bankers or the company), a Canada-based oil and gas company that was exclusively focused on oil exploration and production in Albania. IFC's investment in the project entailed a US\$55 million A-loan and \$10 million in equity to help finance development of the company's Albanian assets.

In 2016, Bankers was acquired by an affiliate of Geo-Jade Petroleum Corporation, an international oil and gas exploration and production company. Although Geo-Jade repaid the loan to IFC, the company confirmed their willingness to continue engaging in the CAO-facilitated dispute-resolution process, which was ongoing at the time.

The Complaint

In March 2013, CAO received a complaint from a Tirana-based Albanian environmentalist on behalf of communities residing in the vicinity of the Patos-Marinza oilfield. The complainant, who was supported by residents of Zharrëza, claimed the company's operations had caused negative health impacts, accidents, contamination of irrigation networks, and seismic tremors that had damaged homes and buildings. Broadly, the complainants were concerned about the impact of oil and gas development in their area, and potential risks and damages to communities and the environment.

CAO Assessment

The complaint was found eligible by CAO, and an assessment of the complaint was conducted in May 2013. Following CAO's assessment, the

parties – community members from Patos-Marinza and representatives from the company – agreed to engage in a CAO-facilitated dialogue process to explore options for a joint fact-finding process aimed at addressing concerns about the seismic activity near Zharrëza, as well as broader social and environmental issues surrounding the Patos-Marinza oil field.

PREPARATION FOR DISPUTE RESOLUTION

Clarification of issues and confirmation of parties' willingness to engage in dialogue

The assessment process was followed by a preparatory mission in October 2013 to review the assessment findings, gather input and ideas for a proposed joint fact-finding framework, and develop consensus on next steps. The CAO team met with various stakeholders, including the complainants, residents of Zharrëza who supported the CAO complaint, Bankers, and representatives from local and central government.

A joint meeting involving community members, company representatives, and representatives from local and central government was held in January 2014. Following this meeting, it was not clear to CAO whether all those in attendance were supportive of engaging in a dialogue process. It also was not clear the extent to which participants in the January meeting represented the wider interests of their respective communities. It was therefore agreed by the parties that CAO would meet separately with community groups and Bankers representatives to get their perspectives and proposals regarding continuation of the dialogue process. In April 2014, CAO held bilateral meetings with the parties to clarify these questions and issues to be addressed through dialogue, and to revisit

the issue of representation in the dialogue group. The aim was to develop a common vision – one shared by all the participants – for how such a process might help to identify and achieve their common goals.

Capacity building

Prior to initiating parties' formal engagement in the dispute-resolution process, CAO worked closely with the community and local leaders to identify people with diverse backgrounds to participate in the process. Once identified, CAO convened a capacity-building workshop for community representatives to help them better understand techniques for effective communication, negotiation, and the principles of mediation. The first workshop took place in July 2014. This workshop also focused on developing a draft framework for dialogue.



Capacity-building workshop with community members, July 2014

The capacity-building workshops were aimed at helping members of the roundtable develop knowledge and skills to engage more effectively and constructively in the dialogue process, and to make informed decisions regarding both the process and its outcomes.

This capacity-building approach was also repeated for new members (both community and company representatives) who joined the dialogue group at later points during the dispute-resolution process (February 2015, October 2015, and July 2017).

Principles and ground rules

The dispute-resolution process was formally initiated in December 2014. In a joint meeting, the parties discussed and agreed on the overall purpose and goals of the process, the expected

outcomes, the dialogue framework, and issues to be addressed through dialogue.

The parties agreed that the dispute-resolution process would aim to: establish constructive dialogue, encourage shared learning, identify ways to improve the situation, improve channels of communication, build trust between communities and the company, and build a long-term cooperative process for addressing social and environmental concerns related to the project.

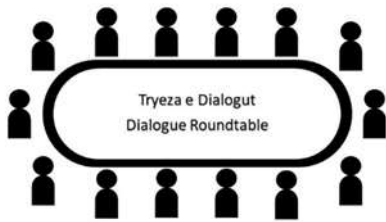


Community-company roundtable, at which parties agreed on ground rules for the dispute-resolution process, December 2014

Structural Design of the Dispute-Resolution Process

Working with the parties, the following dialogue process was designed:

- The establishment of a roundtable consisting of all community and company representatives.
- Three working groups consisting of particular members of the roundtable, with each working group tasked to consider issues pertaining to the following categories:
 - earthquakes;
 - environment; and
 - social investments.



THE DISPUTE-RESOLUTION PROCESS

In January 2015, working groups began meeting monthly to identify and discuss key issues specific to the topic areas. During the first six months of working group meetings, participants focused on exchanging information and learning more about the issues, concerns, and/or regulatory requirements related to the key issue areas identified. Dialogue group roundtables, involving all working groups, were frequently convened to discuss progress and agree on next steps.

In the second phase of the process, which began in July 2015, working groups identified the principal issues to be negotiated, as well as strategies for implementing practical solutions and action plans to address those issues. As a result, the parties identified a total of 33 issues related to: earthquakes (eight issues), environment (nine issues), and social investments (16 issues). The earthquake and environmental working groups were later merged to avoid duplicating efforts and to ensure a more efficient process. The parties also determined that it was appropriate to remove some issues from the negotiation agenda, as they were either not relevant or involved other stakeholders.

During the dialogue process, the mediation team organized and facilitated several bilateral meetings with the parties and other stakeholders (as needed), working group meetings, and roundtable meetings of the dialogue group. The process enabled

members of the roundtable to build trust and to explore and discuss options that would address the issues to both parties' satisfaction.

OUTCOMES

1) Earthquakes/Tremors

Purchase and installment of two seismometers in the Patos-Marinza area

In direct response to community concerns, Bankers, in consultation with the Institute of Geosciences, Energy, Water, and Environment (IGEWE), purchased two seismometers to enable improved national seismological monitoring, as well as increased resolution around the Patos-Marinza area. The seismometers were installed in locations identified by relevant experts.



One of the two seismometers installed in the area of Patos-Marinza

Connection of seismometers to the national seismic grid

The technical installment of seismometers was done in February 2014, with their connection to the national grid completed in September 2016. Bankers and relevant government bodies signed an agreement for the monitoring and maintenance of the seismometers, following the efforts of participants in the CAO-facilitated dialogue process. These efforts included joint letters sent on behalf of the dialogue group to high-level government officials seeking clearance regarding the operation of the seismometers and uploading of seismic data to the national grid, as well as inviting representatives from relevant institutions to provide updates to the dialogue

group on the installation and connection of seismometers. Data from the seismometers is now being received by IGEWE and will be used to inform research to better understand the causes of earthquakes/tremors in the area.

Research on earthquake activity

The dialogue group commissioned a study regarding the history and trends related to tremors in the region, which was conducted by the Aristotle University of Thessaloniki (AUTH). The study aimed to obtain a clearer picture of the time variations in earthquake activity in Albania over the last 50 years, and to examine earthquake events in the greater Patos-Marinza area for the same time period. The purpose of the study was to determine whether there had been any anomalous earthquake activity, and to look for any connection between the operations of the company and tremors occurring in the area.

The research concluded that “the data within two search radii that were considered (15 and 24km) revealed random seismic activity rate variation (typical for seismotectonic activity) without any correlation (positive or negative) to the oil field exploitation rates.”

The report findings were disclosed to the dialogue working group and to relevant state authorities. Given that the study was technical in nature and findings were not easily interpreted by dialogue group participants, the group sought input from the government and IGEWE on the report. In January 2017, the government decided to conduct further independent research into the cause of the earthquakes in the of Patos-Marinza area.

Agreement to rely on government-led process regarding the earthquake issue

Although research was commissioned by the dialogue group regarding the earthquake issue, community members and the company still held differing views regarding the causes of earthquakes/tremors in the area.

In October 2017, the parties agreed that, instead of participating in a CAO-led process to explore the earthquake issue, they would rely on a parallel independent research process

being undertaken by the government regarding the causes of earthquakes. The dialogue group roundtable, which will continue to meet after CAO exits the case, will seek information from the government regarding the outcomes of the independent study.

2) Environmental issues

In relation to environmental issues, the dialogue process helped to facilitate a better understanding of the company’s operations and its environmental monitoring programs. Outcomes around environmental issues were achieved through:

Information sharing

Separate meetings were organized to help familiarize community members with the company’s environmental monitoring programs, to inform them of international and national standards with which the company complies, and to show them the equipment used to measure air, water, and soil quality.

Between 2015 and 2017, three field trips were conducted to provide an opportunity for community groups to see investments made by the company. These included investments related to technological and air quality improvements, and the installation of seismometers and waste management facilities.



Parties prepare for a field trip to the company site, November 2015

Participatory monitoring

In the first quarter of 2016, a group of seven community members, including participants in the dialogue group, an environmental

specialist, and several students, joined a participatory monitoring program. They received training on environmental monitoring, joined the monitoring team in the field, and were invited to see some of the outcomes of the company's environmental monitoring activities.

“The process provided space for the company to show and help community members better understand its operations, and the measures already being taken to address environmental and social issues related to the project.”

Perspective shared by a company representative in a dialogue group roundtable, September 2018

Following the participatory program, community members who participated shared their experience with the wider dialogue group and expressed appreciation for the measures taken by the company to monitor and improve the environment.

“We should have gained a ‘university diploma’ considering all the knowledge and information we have received.”

Perspective shared by community member in a dialogue group roundtable discussing progress and next steps

Investments to improve the environment and air quality

Although investments to improve the environment were not a direct outcome of the dialogue process, concerns regarding environmental and air quality issues expressed by the community members during discussions with the company helped to speed up the implementation of these projects.

Throughout the process, the company continually shared information with the dialogue group on the progress of these projects, including:

- pipeline installation;
- gas capture/installation of vapor recovery units;

- electrification of machinery – most engines now run on electricity rather than diesel, which reduces emissions and minimizes flaring;
- dust suppression – a road spread project was implemented between 2014 and 2016, involving the dampening of roads and use of dust suppressants, and reductions in traffic volume;
- ongoing remediation activity;
- sewage and waste treatment; and
- ongoing monitoring (conducted every three months) of: groundwater, waste production and treatment, air emissions, sewage treatment, surface water, reuse materials, and wastewater quality.



Pipes carrying oil, gas and water, built to reduce truck traffic, at the Patos-Marinza central extraction area (Photo: Felix Davey)

3) Social and investment issues

Information sharing

During the first six months of the dialogue process, parties focused on sharing information, both on environmental issues, and on social and investment issues. The latter included: human resources issues (internship program for students, vocational training, employment policies, and hiring practices); taxes paid by the company; and projects supported by the company.

Survey on social investment priorities

A perceptions survey was conducted between October and November 2015 to better

understand the social investment preferences and priorities of community members in the Patos-Marinza area. The survey served to better inform and improve the company's community investment program in the area. A draft questionnaire was shared with the dialogue roundtable, as well as the survey's findings.

The same approach was used to survey the community in 2018, and feedback from the dialogue group regarding methodology was taken into consideration by the community association conducting the survey.

“Although the company was making social investments prior to the complaint, the dialogue process showed us that there were different ways to engage with the community and helped us to better understand what issues were important to them.”

Perspective shared by the company in a dialogue roundtable meeting, September 2018

Tree-planting project

A point continually raised in discussions between the community and company was the issue of greenness around the project site. As an outcome of the dialogue process, the following steps were taken to address this issue:

- Between 2016 and 2017, the company planted 1,000 Paulownia trees in Marinza and 2,000 poplar trees in Sheqishte.
- The company has followed up yearly on the tree-planting project, in cooperation with the local government.



A community member and company representative visit a buffer zone where 18,000 trees have been planted over 10 hectares between production leases and local communities (Photo: Felix Davey)

Review of Bankers' agreements with subcontractors regarding local employment

Given the community's concerns regarding the low level of employment of locals, Bankers included a provision in its contracts with subcontractors stipulating that “under equal conditions, locals shall be given priority in employment.”

Support provided to address water issues in Marinza

While water issues in Marinza were raised as part of the roundtable discussions, this issue was negotiated directly between the company and the local government. Information on the progress of a project to address water issues in Marinza was shared with community members during the dispute-resolution process. The project included:

- an MoU signed between the company and Roskovec municipality;
- a new well, which was drilled in 2017 and handed over to the Roskovec municipality;
- support provided to Roskovec Municipality to technically develop the project, in order to apply for funding for the construction of a water supply system; and
- provision of materials to the municipality for repair of the water line,

which will enable water supply in some parts of Marinza village.

and social impacts of Bankers Petroleum operations in the Patos-Marinza area.

Heating provided in seven schools

Although not raised as an issue to be addressed by the dialogue roundtable, the company provided heating support to seven schools in January and February 2016, in response to a request from community members in one of the joint meetings. This included the provision of heating supplies and combustible materials such as wood and petrol.

Increased transparency regarding taxes

Two meetings were organized in 2015 and 2017 to discuss issues related to the transparency of taxes paid by Bankers, an issue that was raised early in the process, along with other issues. The meetings were attended by representatives of the Extractive Industry Transparency Initiative (EITI).

4) Agreement on creation of Community-Company Dialogue

Once the parties had finalized negotiating issues in accordance with the separate working groups, they decided to merge the working groups to form an extended dialogue platform, the Community-Company Dialogue Roundtable, through which the parties could continue to engage to discuss issues of concern after CAO's exit. The parties agreed that the roundtable will be co-facilitated by community and company representatives.

In a joint meeting in February 2018, the parties agreed to release final guidelines for the Community-Company Dialogue Roundtable.¹ The guidelines cover topics of joint interest for continued engagement through the extended dialogue platform regarding the environmental

RREGULLAT BAZË / GUIDELINES

PER TRYEZEN E DIALOGUT KOMUNITET - KOMPANI
mbl qëllje të interesit të përbashkët në lidhje me
Impaktin mjedisor dhe social të Bankers
Petroleum Albania në zonën e Patos-Marinzës

FOR THE COMMUNITY - COMPANY DIALOGUE ROUNDTABLE
regarding topics of joint interest in relation to the
Environmental and Social impacts of Bankers
Petroleum Albania in Patos-Marinza area

15 Shkurt 2018 / February 15th 2018
Tirë, Albania

<p>A. Hyrje</p> <ol style="list-style-type: none"> 1. Tryeza e Dialogut Komunitet-Kompani është rezultat i procesit të zgjedhjes së Moshmarrëveshjeve, e shkëputur nga CAO. 2. Tryeza e Dialogut u iniciua pas ankesës drejtuar CAO-së në mars 2013 nga një shtetist i mjedistit me qendër në Tiranë, në emër të komunitetit që banon në afërsi të fshatit rrethorëgjatës të Patos-Marinzës. 3. Bankeri Petrolium Albanisë (kompania) dhe anëtarët e komunitetit nga Patos-Marinza (komuniteti), të referuarë këtu si palët, u përfitshin në një proces dialogu të facilituar nga CAO për të eksploruar mundësitë për një proces futuror të përbashkët për të adresuar shqetësimet në lidhje me aktivitetin e tyre në afërsi të Zharëxës dhe çështje të tjera sociale dhe mjedisore me një qendër në të gjithë në fshatin rrethorëgjatës të Patos-Marinzës. 4. Palët kanë rënë dakord që të vazhdojnë dialogun pas përfundimit të procesit të CAO-së këtu siç është përshkruar në marrëveshjen informale dhe parashikojnë që do të marrin parasysh në mënyrë reciproke për këtë proces vazhdues. 5. Tryeza e Dialogut do të përfshijë mekanizmat operacionales dhe qdo forum tjetër shqetësues për të adresuar dhe zgjidhur çështjet (p.sh. mekanizmin e shpërndarjes, marrëdhëniet dhe programet konsultuese me publikun). <p>B. Anëtarët e Tryezës së Dialogut</p> <ol style="list-style-type: none"> 6. Anëtarët e Tryezës së Dialogut janë anëtarët të grupit të punës të hartuar nga CAO: përfaqësues të të kompanisë dhe komunitetit. 7. Me marrëveshjen nga të gjithë Anëtarët, palët të tjera të interesit mund të flasin si vëzhgues ose për t'u bashkuar procesit. Personat e tjerë që do të flasin do të propozohen në taktim paraprakisht ku do të flasin që gjithë anëtarët e tryezës të kenë mundësi të diskutojnë dhe të jenë dakord për përfitimin e tyre. 	<p>A. Background</p> <ol style="list-style-type: none"> 1. The Community-Company Dialogue Roundtable is an outcome of the CAO facilitated dispute resolution process. 2. The Dialogue Roundtable was initiated following a complaint filed to CAO in March 2013 by a Tirana based environmentalist on behalf of community residing in the vicinity of the Patos-Marinza oilfield. 3. Bankers Petroleum Albania (Company) and community members from Patos-Marinza (Community), hereto the parties, engaged in a CAO facilitated dialogue process to explore options for a joint fact-finding process aimed at addressing concerns about the activities actively near Zharëxë and broader social and environmental issues surrounding the Patos-Marinza oilfield. 4. The parties have agreed to continue dialogue after the conclusion of the CAO process. These guidelines represent an informal agreement and outline the mutually agreed principles for this ongoing process. 5. The Dialogue Roundtable will complement operational mechanisms and any other forums that exist to address and resolve issues (i.e. grievance mechanisms, community relations and consultation programs). <p>B. Members of the Dialogue Roundtable</p> <ol style="list-style-type: none"> 6. The members of the Dialogue Roundtable are the members of the CAO facilitated working group: representatives of the company and community. 7. With agreement by all Members, other stakeholders can be invited to observe or to join the process. These new invites should be proposed and discussed at the meeting preceding the one to which they will be invited to make as the roundtable members to engage in conversation regarding their introduction.
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Guidelines approved jointly by community and company representatives, February 2018

In May 2018, CAO conducted a coaching session on facilitation for a group of four roundtable members (community and company representatives), who will co-facilitate future meetings of the dialogue roundtable after CAO's exit. CAO observed two roundtable meetings in May and September 2018 as part of its monitoring role.



A community and company representative address the dialogue roundtable, September 2018 (Photo: Felix Davey)

¹ http://www.cao-ombudsman.org/cases/document-links/documents/Final_Guidelines_Community-CompanyRoundtable.pdf

CAO INSIGHTS FROM THE PROCESS

Capacity building and preparation are important at every stage

The first joint meeting (in January 2014) highlighted the need for better preparation with the parties prior to such joint meetings, including addressing issues of representation and conducting capacity building around communication and negotiation skills.

Given the length of the process, there was a flow of new community members joining, replacing members who left the engagement. All those who joined at a later stage attended capacity-building trainings before participating in joint meetings, to help prepare them for effective communication and to better understand the dispute-resolution process.

Although some community members were initially hesitant to undergo the training, they later noted the usefulness of the skills learned in addressing communication and other challenges faced during the dialogue process. In addition to capacity building, bilateral meetings offered another effective approach to preparing parties for constructive engagement in joint meetings.

Communication and collaboration enhanced the problem-solving process

Communication and the collaborative approach employed during the process helped parties to effectively identify and explore environmental, social, and investment issues, and work together to find ways to resolve them.

"We are very happy to sit down and discuss face-to-face with senior management of Bankers to address the concerns of Patos-Marizna community related to the operations in the oilfield. Such communication has been missing for a long time."

Statement from one community member from Zharreza to the CAO team in the initial phase of the dispute-resolution process

Process flexibility helped in addressing pressing needs

The process provided the parties with the flexibility to adapt the agenda in line with their most pressing concerns. For example, in April 2015, the roundtable decided to shift the regular agenda and discuss the impacts of a well blowout in Marinza. The ability to be flexible is made possible by the development of a well-built dialogue platform, through which parties develop trust in each other and the process.

External factors can impact the process

- **Transfer of the company's ownership.** In March 2016, Bankers informed CAO that they had entered into an agreement to be acquired by an affiliate of Geo-Jade Petroleum Corporation. Although the new company had completely repaid the loan to the IFC, they confirmed their willingness to continue the dispute-resolution process. Still, the process was suspended for some months until confirmation was received by new management that they could continue. This caused the parties to lose momentum.
- **Impact of the market situation.** One of the most pressing social issues was the low rate of local employment by the company and its sub-contractors. The drop in oil prices in 2014 limited the company's operations and consequently its employment and investment possibilities. This further exacerbated the context in which the dialogue was taking place.
- **Role of external stakeholders in the process.** Based on specific issues that the parties agreed to address through the process, community and company representatives considered it necessary to invite representatives and experts from central government agencies (MEI, IGEWE, and Regional Health Institute) and local government, as well as from other specialized institutions (like EITI and Albpetrol), to help address certain issues.

- **The formalities of state institutions can delay the process.** Given that the main issue raised in the complaint (the cause of earthquakes) required the engagement of state authorities, there were a number of delays experienced as a result of having to engage with more stakeholders that needed to follow particular procedures in attempting to engage with the process.

Internal dynamics within the dialogue group needed to be addressed.

CAO took into consideration obstacles to effective engagement associated with the dispute-resolution process and worked with the parties to overcome them.

- During the process, some roundtable members left and others joined the process from both parties. The consistency of community representation and the changing dynamics of roundtable membership slowed down the negotiation process.
- Community feedback loops were an important, but challenging, part of the process, specifically the consultation process between community representatives and other members in the community regarding the dialogue process.
- Suspension of the dialogue process had a negative impact on the process and on the consistency of participation, particularly the participation of community members.

CONCLUSION OF THE DISPUTE-RESOLUTION PROCESS

CAO is concluding its involvement in the case, given that:

- the parties have agreed that the main issue raised in the complaint (cause of earthquakes in the Patos-Marinza area) be addressed through the ongoing government led process; and
- the parties have agreed that the social and investment issues which they

agreed to address through the process have been discussed and resolved to both parties' satisfaction.

Seeing value in ongoing engagement with each other, the parties have agreed that they will continue to meet quarterly through the Community-Company Dialogue Roundtable, even after the conclusion of the CAO-facilitated dialogue process. The roundtable will function based on mutually agreed Roundtable Guidelines, which were drafted with the assistance of CAO and approved by the dialogue group during a joint meeting in February 2018.