



SUMMARY REPORT – NOVEMBER 2013

Progress and Next Steps toward Resolution of a Complaint Regarding the Bankers Petroleum Project (IFC Project #27306)

Tirana & Patos, Albania

December 01, 2013

*Office of the Compliance Advisor Ombudsman
International Finance Corporation/
Multilateral Investment Guarantee Agency*

www.cao-ombudsman.org

1. Background & Overview

This Summary Report describes progress toward resolution of a complaint filed to CAO in March 2013 by an Albanian environmentalist on behalf of residents of Zharrëza, a community adjacent to the Patos-Marinëz oilfield. The complainant raised several concerns about the extraction activities of Bankers Petroleum Albania Ltd (BPAL). In May 2013, a CAO team travelled to Albania to conduct an assessment of the issues and the stakeholders' ideas for resolving them.

The assessment team found that the seismic events (and resulting damage to homes and buildings) near the community of Zharrëza is a predominant concern among a range of stakeholders. 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.

At the stakeholders' request, CAO agreed to identify and support a facilitation team to help convene and launch a collaborative work group tasked with reviewing the scientific and technical issues, collecting any additional information as deemed necessary by the group, and issuing an independent report. (Such a process, often referred to as "joint fact-finding," is a strategy that enables technical experts, decision makers and others from opposing sides of an issue to work together to address factual disputes.)

Also at the request of complainants and the company, the CAO agreed to begin facilitating this process only after Albania's national elections had taken place, in June 2013, and after new ministers and cabinet directors had been named. The CAO team then began meeting with the parties in October 2013.

2. Summary and Outcomes of the CAO Facilitation Team Visit – October 2013

Several weeks prior to their October visit, the CAO facilitation team learned that Albania's newly elected Minister of Energy, Mr. Damian Gjikhuri, had convened a working group tasked with identifying the causes of earthquakes near Zharrëza. In order to avoid duplication of efforts and potential confusion about the CAO's separate joint fact-finding process, the CAO offered to work in close cooperation with Minister Gjikhuri's office to support and strengthen his efforts to resolve these issues.

From October 28 to November 1, the facilitation team met with a range of stakeholders to review the assessment findings, gather input and ideas for a proposed joint fact-finding process framework, and develop consensus on next steps. Those stakeholders, listed below, included the complainant, residents of Zharrëza who supported filing of the CAO complaint, BPAL representatives, and key public sector representatives. They are listed in order of the CAO meeting schedule:

- Sazan Guri – Environmentalist, CAO complainant, and member of Minister's Working Group on the cause of earthquakes in Zharrëza
- Shkelqim Grembi – Zharrëza resident and co-CAO complainant, representing local residents who supported the CAO complaint
- Rrapo Ormeni (Director) and Edmond Dushi, Department of Seismology, Institute of Geosciences and members of Minister's Working Group on the cause of earthquakes in Zharrëza

- Stavri Dhima – Head of Hydrocarbons Department, Republic of Albania
- Barbara Lamb and Sally Davidson, Community Relations Managers, BPAL
- Zharrëza Commune Council (17 members)
- Matilda Baja – Zharrëza administration and member of Minister’s Working Group on the cause of earthquakes in Zharrëza
- Majlinda Bufi, Member of Albanian Parliament (Fier region)
- Dael Dervishi – Executive Director, National Agency of Natural Resources (AKBN), and member of Minister’s Working Group on the cause of earthquakes in Zharrëza
- Damian Gjikhuri – Minister of Energy, Republic of Albania
- Ardit Kamberi – Cabinet Director for Energy Minister Gjikhuri.
- Djana Bejko – Deputy Minister of Environment, Republic of Albania

2.1 Common Interests

These stakeholders expressed general support for a cooperative, dialogue-based approach to (a) better understand the cause of earthquakes in Zharrëza, and (b) improve relations between the community of Zharrëza and BPAL. In addition, there was general agreement among most stakeholders that:

- More scientific information is needed to better understand the cause of earthquakes near the Patos-Marinëz oilfield, and placing seismometers near the site is a key step toward gathering this information.
- Siting of the seismometers and management of the data they generate should involve independent specialists as well as BPAL, to ensure transparency and information that is broadly trusted.
- The Energy Minister’s working group is an important process that signals strong public sector commitment to resolving the issues.

2.2 Issues for Further Consideration

Based on CAO’s meetings and conversations with the stakeholders, there are several topics still to be discussed and agreed by the parties in order to achieve longer-term solutions. These include (a) siting and management of the seismometers, (b) expectations and next steps for the Minister’s Working Group, and (c) communication between Zharrëza residents and BPAL.

(a) Siting and Information Management of Seismometers

Zharrëza residents and others began raising concerns about the causes of earthquakes in 2009. Since that time, BPAL has received multiple complaints alleging that its activities cause or exacerbate seismic events. In various efforts to respond to these allegations and resolve the complaints, BPAL has undertaken numerous steps to monitor and document earthquake activity in the area, including data analysis reports, hiring of independent seismologists and geophysicists, inviting and attending community meetings, and launch of a “Seismographic Installation Project.”

While some residents and public sector officials believe BPAL’s efforts and information are inconclusive, installation of seismographs close to the impacted area is an initiative which currently has a great deal of community and public sector support. The Seismographic Installation Project involves purchase by BPAL of two seismometers, and scientific

collaboration with the National Seismic Institute to select appropriate sites for the equipment and monitor the information once this equipment is installed.

Despite their initial, in-principle agreement, and several attempts over the past year to finalize this project, BPAL and the National Seismic Institute have been unable to conclude a formal scientific cooperation agreement. The parties have identified several reasons for the delay in completing the agreement. However, given the current consensus among complainants and a wider range of stakeholders that installation of seismometers is crucial to understanding the cause of earthquakes in Zharrëza, finalizing this agreement is a crucial next step to resolving the complaints.

(b) Expectations and Next Steps for the Minister’s Working Group

On October 18, 2013, Energy Minister Gjijnuri issued an order establishing a working group “to assess the concerns of the inhabitants of Zharrëza Commune, Fier, that are related to the phenomenon of earth shaking in the surrounding area, where hydrocarbon operations are being carried out to extract oil from the reservoir in Patos-Marinëz.” The working group is comprised of representatives from the Energy Ministry, Albpetrol (state-run oil company), National Seismic Institute, and AKBN, as well as one community representative from Zharrëza, and the CAO complainant. The order instructs this working group to provide an explanation on the cause of the tremors by end of the 2013 calendar year.

The complainant, Zharrëza residents, and public sector officials believe this working group is an important and trusted mechanism for better understanding the cause of earthquakes in Zharrëza. In their view, it also underscores the new Minister’s commitment to the safety and protection of communities and the environment.

Along with this strong support, the stakeholders flagged several concerns regarding the working group’s mandate and final report. Among them:

- Since the seismometers have yet to be installed, and in light of the overwhelming consensus among stakeholders that seismometers are necessary to obtain longer-term, site-based data, there is concern by some that any conclusion of the working group before installation of the seismometers will be inconclusive.
- The two-month timeframe for evaluating existing technical seismologic information and drafting a useful final report is a concern to some stakeholders. Even several members of the working group expressed reservations about the short timeline for completing this task.
- Expectations are high among many community members regarding the conclusions of the working group. Some working group members are concerned that these expectations may be difficult to manage.
- No one from BPAL is currently participating in this working group, and some stakeholders – including BPAL – see this as a detriment to a trusted outcome.

The CAO team discussed these concerns with Minister Gjijnuri and his Cabinet Director, who generally agreed that the issues, if not managed properly, could pose potential risks to the long-term success and credibility of the working group.

(c) Communication between Zharrëza residents and BPAL.

Conflict between Zharrëza and BPAL has been on-going for several years, and at times has escalated to threatening confrontations. Both Zharrëza community council members and

BPAL staff express continuing frustration over the lack of trust and poor communication that exists between them. Council members say the company has ignored community concerns and requests for better information, assurances of safety, and economic opportunities. BPAL says the company has made numerous efforts to engage with Zharrëza, but that residents have refused to participate in company-proposed dialogues or working groups focused on earthquakes and other social and environmental issues.

From the perspective of the facilitation team, overcoming these challenges and finding ways to engage more productively is important not only for addressing the causes and impacts of seismic events, but also for the longer-term health and viability of the community.

3. Next Steps

Given the overlapping objectives of the Minister's working group and the joint fact-finding process stemming from the CAO complaint assessment, the CAO team sought frank feedback from all stakeholders on whether there is still a role for CAO in facilitating a resolution to the complaint.

The Energy Ministry, the National Seismic Institute, and other public leaders expressed interest in CAO's continued involvement to facilitate next steps once the working group releases its findings. The complainant and residents of Zharrëza expressed a similar view, adding that a facilitated dialogue process between Zharrëza and BPAL could improve channels of communication and lead to more productive engagement on a range of issues. BPAL also expressed support for CAO's continued involvement, stating that its many previous efforts to engage with residents and public leaders on the earthquake issue have generally not been welcomed or trusted by Zharrëza residents. The company also reiterated its interest in participating in a longer-term collaborative fact-finding process focused on the impacts of its own operations.

In light of the stakeholders' continued support for CAO involvement, and in response to the issues described above, the facilitation team (working within its prescribed mandate) will proceed to:

- Support the ongoing efforts of the Energy Ministry, BPAL, and the National Seismic Institute to finalize agreement on installation of seismometers near the project site. The CAO facilitated an initial meeting (November 25, 2013) involving those stakeholders and other public sector officials, at which the parties discussed next steps toward finalizing a draft 'Agreement of Cooperation' between the Seismic Institute and BPAL. CAO will continue to help the parties move toward completion of this goal.
- As agreed with the stakeholders, facilitate an "opening dialogue" on Monday, 09 December in Fier involving: residents of Zharrëza, Kuman and Roskovec; BPAL community relations staff; the Member of Parliament from Fier region; and a representative from the Ministry of Energy and Industry. The goal of the meeting is to share information on the Seismometer Installation Project; and to discuss strategies for longer-term cooperation between the parties following installation of the seismometers.
- Continue working with the public sector, BPAL and the complainants – if those parties so request, following release of the working group's report – on design and launch of a longer-term, facilitated working group or joint fact-finding process.