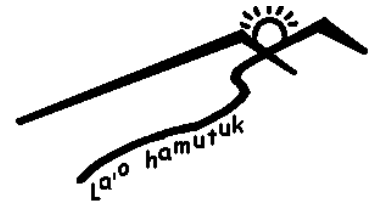


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**Submission to the  
National Directorate for Environment  
Democratic Republic of Timor-Leste**

**from  
La'o Hamutuk**

**regarding the  
Environmental Impact Statement and  
Environmental Management Plan**

**for the  
Proposed Cova-1 Exploratory Drilling  
Campaign in Block C offshore Timor-Leste**

**to be conducted by  
Eni Timor Leste S.p.A.**

**23 July 2010**

## Introduction

As a civil society organization which has worked for ten years to help ensure that petroleum development in Timor-Leste benefits of our people and respects our nation's rights, La'o Hamutuk appreciates the opportunity to participate in this public consultation on the Cova-1 Environmental Impact Statement (EIS) and Environmental Management Plan (EMP).

If this EIS/EMP is accepted, Cova-1 will be the first well drilled in Timor-Leste's sovereign area since the restoration of independence, assuming that DNMA carries out its responsibilities and directs Reliance to redraft its plan for Block K. We hope that DNMA, ANP, Eni and others will give particular attention to Cova-1, because it sets a precedent for future projects. If the regulators fulfill their mandate to ensure that operators respect Timor-Leste's law, environment and rights in this first project, it will send an important message to Eni and other companies that Timor-Leste is serious about managing oil and gas development for its own people's interests, even as managers and shareholders of foreign companies also benefit from our resources.

In general, La'o Hamutuk believes that the Cova-1 EIS and EMP demonstrate a conscientious effort by Eni, and we appreciate the concern for the environment shown, for example, by Eni's use of low-toxicity, water-based, drilling muds.

We welcome the specific, detailed information given about Eni's plans and commitment to keep the risks and environmental damage ALARP – As Low as Reasonably Practicable. However, we reiterate our observation in the 23 February Cova-1 orientation meeting that this standard sets the bar too low. When undertaking as speculative and potentially dangerous a project as this one, a standard of ALARA – As Low As Reasonable Achievable – would be more appropriate.

This submission offers improvements in a few areas before the draft EIS and EMP are approved:

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## Public consultation

This consultation has been conducted better than previous ones, and we appreciate being given electronic copies of the EIS and EMP, as well as a Tetum summary. However, two months were wasted between when these documents were finalized before they were distributed to stakeholders. As "stakeholders" include all the people of Timor-Leste, we appreciate Eni's permission for La'o Hamutuk to distribute these documents via internet, but encourage DNMA and the company to find more inclusive consultation mechanisms in the future.

Row 10 in EIS table 6.2 commits to "maintaining open and transparent communication between Eni and stakeholders ... prior to drilling." We agree, and suggest that the communication continue during and after drilling, with distribution of environmental and other reports (such as those described in

EMP section 6.6.2) to stakeholders as the project progresses. Stakeholders should be included in any review conducted according to section 6.7 of the EMP.

### **Safe and clean operation is more important than Eni's financial gain.**

The recent Montara and Deepwater Horizon disasters show that blow-outs and subsequent problems result from a variety of causes, some of which are preventable and occur because profit margins are prioritized over safety. The ultra-deepwater capabilities of Blow-Out Preventer (BOP) mechanisms are of particular concern, given vulnerabilities in BOP hydraulics and control systems,<sup>1</sup> and industry reluctance to suspend or delay operation for full maintenance and testing.<sup>2</sup>

A 2009 Det Norske Veritas study for Transocean found that in 11 cases where deepwater rigs lost well control and activated BOPs, only six were subsequently brought under control.<sup>3</sup> Deepwater Horizon's BOP failure in 1,500-meter deep water raises concerns that the BOP used by the Saipem 10000 requires special attention at Cova-1, under 1,930 meters of water. Therefore, we urge that Eni focus additional attention, including on maintenance before the Cova-1 drilling starts, on the Saipem 10000 and its BOP and other emergency response components.

Much of recent debate has focused on BOP deepwater capabilities, but La'o Hamutuk's concerns extend further than this. In 2009, the 4,000 meter deep Montara H1 well (lying under 77-meters of water) spilled many millions of liters of oil into the Timor Sea for ten weeks because of deficient testing, installation of safety equipment, and emergency response.<sup>4</sup> The Cova-1 EIS and EMP do not explicitly state that Eni will implement procedures such as those neglected at Montara, which means that Timor-Leste must take Eni at its word. The Montara Commission of Inquiry expressed concern about "PTT's and Atlas's self-regulating standards of well control," under Australian laws and enforcement. In Timor-Leste, with less well-defined rules and under-resourced and inexperienced regulators, how can we be sure that Eni will not take shortcuts in an inherently riskier project?

Saipem's *Interim Report at 31 March, 2010* states the Saipem 10000 "underwent/shall undergo [108 days of] class reinstatement works and/or preparation works for a new contract".<sup>5</sup> La'o Hamutuk hopes that will be performed before Cova-1 drilling starts.

### **The oil spills modeled are too small.**

Page 68 of the EIS models a spill of 1.8 million liters per day over only five days, after which it's assumed the leak will be resolved. However, recent experience shows the dangers are much greater, and we urge Eni to expand its model scenarios to more realistic levels. In nearly three months of

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<sup>1</sup> Shanks, E. et. al., (2003) 'Deepwater BOP Control Systems' pp.1-2, presented at 2003 Offshore Technology Conference, Houston, obtained from <http://media.mcclatchydc.com/static/pdf/Les-oilspill-ABSC.pdf>.

<sup>2</sup> 'Between blast and spill, one last, flawed hope' NY Times et al, 21/06/2010, accessed at <http://query.nytimes.com/gst/fullpage.html?res=990CE2D91730F932A15755C0A9669D8B63&sec=&spn=&pagewanted=6>.

<sup>3</sup> As quoted at [www.nytimes.com/2010/06/21/us/21blowout.html?pagewanted=2](http://www.nytimes.com/2010/06/21/us/21blowout.html?pagewanted=2).

<sup>4</sup> 'Montara Commission of Inquiry' transcript, 15/03/2010, p.9, 14-15, produced by Merrill Legal Solutions, accessed from [www.montarainquiry.gov.au/downloads/Transcripts/Transcript%20Montara%20COI\\_Day%20001\\_15-Mar-2010.pdf](http://www.montarainquiry.gov.au/downloads/Transcripts/Transcript%20Montara%20COI_Day%20001_15-Mar-2010.pdf).

<sup>5</sup> 'Interim report at 31 March, 2010, P.7, accessed from [www.saipem.it/site/download.jsp?idDocument=1925&instance=2](http://www.saipem.it/site/download.jsp?idDocument=1925&instance=2).

uncontrolled leakage, Deepwater spilled more than a billion liters of oil into the Gulf of Mexico, with a spill rate of 6-15 million liters per day.<sup>6</sup> Cova-1 is 430 meters deeper than Deepwater Horizon.

While it had a slower average flow rate than that modeled in this EMP, the Montara spill continued for over ten weeks,<sup>7</sup> spilling half again as much oil than as Eni modeled for Cova-1.

Page 70 of the EIS predicts that oil may reach West Timor from Cova-1 within two days of the small spill Eni has modeled. We hope that Eni has discussed the pending Cova-1 project with Indonesian as well as Timor-Leste authorities, as Montara has taught West Timor the consequences of unpreparedness, where it continues to impact on people and ecosystems.<sup>8</sup> Parts of the coastlines of both East and West Timor are less than 90 km from the Cova-1 well, while Montara is much further (246 km) from the West Timor coast, and westerly currents from Cova will bring any potential spill to land faster and with more concentrated pollutants.

Two weeks ago, Eni told La'o Hamutuk<sup>9</sup> that its Oil Spill Contingency Plan (OSCP) is not finished, and that it will likely be provided in mid-August, around the time of the Cova-1 stakeholder meeting. Given the inadequate spill modeling in the EIS and EMP, La'o Hamutuk is concerned that the OSCP may not realistically consider worst-case spill sizes and flow rates, and we urge that it be subject for public consultation as part of the EMP, with an additional opportunity for stakeholder comment before the EMP is approved. This also applies to other relevant documents, such as the *Timor-Leste Emergency Response Plan*<sup>10</sup> and *Saipem 10000 Drilling Campaign Emergency Management Plan* referenced in the EIS and EMP.

The OSCP should spell out Eni's agreements with the Australian Maritime Oil Spill Centre and operators of nearby projects, as they may be called upon to support emergency response efforts.

## **No flaring should be allowed.**

Pages 55, 65 and 66 of the EMP imply that associated gas will be flared if it is found in Cova-1, However, Eni Australia told La'o Hamutuk on 21 July<sup>11</sup> that no oil or gas flaring will occur during this project. We hope that this is true, and urge that the EIA and EMP be revised to reflect this commitment.

Page 66 of the EMP states flaring "of petroleum products" (including gas) "shall not be carried out without approval from DNMA." If Eni finds associated gas and decides to flare it, this should require explicit future permission and public announcement from DNMA and ANP, and should permit only specifically-defined quantities and times. DNMA's acceptance of the current EMP must not be considered approval of future flaring.

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<sup>6</sup> 'Oil estimate raised to 35,000-60,000 barrels a day', CNN online, 16/06/2010, accessed from <http://edition.cnn.com/2010/US/06/15/oil.spill.disaster/index.html>; internal BP flowrate document for Deepwater Horizon spill released by US congress, accessed from <http://globalwarming.house.gov/files/WEB/flowrateBP.pdf>.

<sup>7</sup> 'Montara Commission of Inquiry' transcript, p.3.

<sup>8</sup> 'Oil spill sends fishermen bankrupt', 02/11/2009, Australian Broadcasting Corporation, accessed at [www.abc.net.au/news/stories/2009/11/07/2736012.htm?site=news](http://www.abc.net.au/news/stories/2009/11/07/2736012.htm?site=news).

<sup>9</sup> Email correspondence with Eni Timor-Leste/Australia environmental advisor, Carrie Doncon, 09/07/2010.

<sup>10</sup> Document number ENI-0000-PF-0001.

<sup>11</sup> Email correspondence with Rob Phillips (Eni Australia) on 21/07/2010.

## **Regulators have the right to inspect operations.**

The EIS and EMP documents do not give any information about Eni's plans to allow Timor-Leste regulatory authorities to visit and inspect Cova-1 operations. Given ANP and DNMA's responsibility to protect Timor-Leste's health, safety and environment – and the fact that companies left to themselves cannot be relied upon to do that -- La'o Hamutuk strongly encourages the DNMA and ANP to deploy personnel on the *Saipem 10000* for as many of the 45 days of operation as possible, and urges Eni and Saipem to cooperate.

## **Local content requires more effort.**

Eni promised \$4.5 million in local content (out of an \$85 million work program) for Block C in its April 2006 proposal, which was an important factor in Timor-Leste awarding the PSC to Eni rather than to Petronas consortium's competing bid. This commitment, which included two exploration wells, was to be carried out in the three years prior to November 2009. It is eight months later, and we wonder how much of that commitment has been fulfilled, or if Eni and RDTL have agreed on a new schedule or amounts.

Neither the *Saipem 10000* drillship or the *Sea Witch* supply vessel will visit Timor-Leste ports (EIS 5.9.2), which reduces environmental risk to Timor-Leste. However, it makes it difficult to employ local suppliers and products. If the only contact between Cova-1 and Timor-Leste is by helicopter, most of the small amount of money spent in Timor-Leste will go to international airlines and fuel importers. Although 5.11.1 discusses the "limited opportunity" to incorporate local content in this short-duration project, most of Eni's work in Timor-Leste to date has been a series of short-term projects, and the company could try harder to engage local workers and suppliers, gradually increasing their capacity and participation. We encourage Eni to maximize the experience and opportunities for Timorese people and companies with the Cova-1 project, in synergy with Kitan, Bayu-Undan, and other projects in the Exclusive and Joint Areas of the Timor Sea.

## **Pay attention to accuracy and detail.**

In several places, Eni's EIS and EMP contain inaccuracies or wrong information. Although these may not be directly relevant to Cova-1's environmental consequences, they indicate a carelessness which is unacceptable in a project like this. For example, EIS and EMP chapters 2.2 say that Laminaria-Corallina is in the JPDA<sup>12</sup> and mentions Elang-Kakatua, which ceased operation three years ago, as a "producing" oil field (as do EIS chapter 4.3 and EMP 3.3.3). Paragraph 5.11.1 says that Buffalo is in the JPDA; it was also stolen by Australia.

Similarly, Eni relies on the *CIA Factbook* for its socio-economic profile in EIS paragraph 4.3. Primary sources, such as RDTL or UN documents, would be more current and detailed. For example, the cited 2008 GDP of \$2.526 billion appears to actually be GNI (including oil income); the IMF, whose data is used by the Government of Timor-Leste, calculates a (non-oil) GDP for 2008 of \$499 million.<sup>13</sup> In the same section, Eni promises that "the oil and gas industry may be expected to provide ... employment opportunities for a large portion of the (Timor-Leste) population." This fantasy ignores the capital-

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<sup>12</sup> Under international legal principles, Laminaria-Corallina belongs to Timor-Leste, but Australia has illegally occupied this field since it began production in late 1999. La'o Hamutuk estimates that it has provided nearly \$2 billion for Australia and not one cent for Timor-Leste (see [www.laohamutuk.org/Oil/Boundary/laminaria\\_revenues.htm](http://www.laohamutuk.org/Oil/Boundary/laminaria_revenues.htm)).

<sup>13</sup> IMF World Economic Outlook, April 2010.

intensive, high-skill nature of this industry, as well as the transient, time-limited nature of Timor-Leste's oil and gas reserves. However, we agree with Eni that the underlying challenge is how to strengthen the non-oil economy, a task which will require far more than the Petroleum Fund.

### **Eni should plan for 2010's unusual weather patterns.**

EIS Paragraph 4.1.1 and EMP paragraph 3.1.1 discuss typical climate and weather in the Cova-1 area during September, which is usually dry and storm-free. However, this year has been anything but typical in this region, with unseasonable rains, flooding, and strong winds. Whether this is due to climate change, statistical fluctuations, or *El Nina*, Eni needs be prepared for more extreme weather than is normally expected.

### **Plan for additional ship traffic.**

EIS Paragraph 5.11.4 (EMP 3.3.4) about vessel movements near Cova-1 during the relevant period should include those that Reliance, if it gets DNMA and ANP approval, will operate near Block K, as well as any seismic exploration that may be conducted at the time.