Submission to Efic's consultation on the SNE field development phase 1

April 2019

ActionAid Australia, Caritas Australia, and Jubilee Australia

About ActionAid Australia

ActionAid is a global women's rights organisation working in over 45 countries to achieve social justice, gender equality and poverty eradication. ActionAid Australia focuses on economic and climate justice for women and their rights in emergencies. ActionAid Australia works with women across the African continent that are impacted by mining, including fossil fuel mining. In Senegal, ActionAid works with local communities to help keep children, especially girls, in school longer, and train farmers to improve their livelihoods, including in the Saloum Delta area.

About Caritas Australia

Caritas Australia is Australia's Catholic agency for international aid and development. Since our foundation in 1964, we have worked closely with impoverished communities domestically and internationally, helping them achieve self-sufficiency and the material means to flourish. In all that we do, we advocate and uphold the core Catholic social principles of the dignity of the human person, the common good, economic justice, solidarity and stewardship. We are a member of Caritas Internationalis, the social arm of the Catholic Church, and one of the world's most extensive humanitarian networks with 165 national agencies operating in over 200 countries and territories.

About Jubilee Australia

Jubilee Australia engages in research and advocacy to promote *economic justice* for communities in the Asia-Pacific region and *accountability* for Australian corporations and government agencies operating abroad. Its work focuses on three areas: (1) sustainable economies, (2) the right of affected communities for justice and consent, and (3) policy reform in Australia to ensure that Australian government and corporate practices support community wellbeing and a just and sustainable global economy. Jubilee's work on extractives has mainly focussed on the impact of Australian companies in PNG and Bougainville in recent years.

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1. Introduction

ActionAid Australia, Caritas Australia, and Jubilee Australia welcome the opportunity to make a submission during Efic's public disclosure period regarding the Category A project SNE field development phase 1.

This deepwater offshore oil development proposal is a significant, controversial, and high-risk project, and it is in this light that taxpayer-backed finance facilities to support its development should be rigorously assessed and reviewed.

As organisations with considerable experience working with communities affected by extractive sectors, and with women and vulnerable groups that stand to be affected by the SNE field development, we have significant concerns regarding the risks and impacts of this project. Based on our analysis, our organisations are recommending that Efic does not proceed with this project on the basis of the unacceptable social, environmental and climate risks it presents, as well as regulatory weaknesses that may undermine any possible economic benefit for Senegal through taxation or royalty payments.

In addition, this submission makes a number of recommendations regarding Efic's due diligence procedures. We understand that Efic has three sets of standards that it applies during the due diligence process: the equator principles, the IFC performance standards, and any relevant local laws.

Given the IFC performance standards are generally the most comprehensive benchmarks applied by Efic, these have been referred to where relevant. In cases where the IFC performance standards clearly fall short of providing an adequate benchmark for good environmental, social and governance risk management, we have recommended additional due diligence be undertaken and the introduction of more robust policies by Efic to assess these risks.

In section 2, this submission outlines the range of social and environmental impacts identified through both normal operations and in the case of any oil spills. In section 3 it examines climate impacts and risks, and in section 4 considers broader governance and regulatory concerns. It concludes with a summary of recommendations for Efic's consideration in relation to this project and all Category A projects.

2. Social and environmental impacts

2.1 Social context

The coastal and island communities that stand to be affected by the SNE field development are facing significant existing pressures on their food and water security due to climate change and the collapse of fishing resources. Women are disproportionality impacted by these challenges due to pre-existing gender inequality, and the region as a whole is at significant risk of increased poverty and loss of livelihoods. The SNE field development is likely to exacerbate these issues in a number of ways.

ActionAid Senegal works with island communities reliant on the Saloum Delta, an ecologically sensitive area of Senegal's coastline that is a Ramsar wetland and close to the proposed SNE development. These include the Diamniadio, Fayako, Maya, and Rofangue islands.

As outlined in ActionAid Senegal's report, *The Agro-ecology and Resilience Project Social Research: How Climate Change Impacts Islands in Senegal,* these island communities are already facing significant impacts from both climate change and overexploitation of fish stocks.[1] This has led to water and food insecurity on the islands, as well as reductions in agricultural output that in turn has caused an overreliance on shell collection and artisanal fishing.[2] Many communities reliant on these islands now refer to a "hunger period" that lasts for several months,[3] and according to the Food and Agriculture Organisation of the United Nations, 11.3% of the Senegal population is malnourished.[4]

Women have been disproportionately impacted by these trends, as they have traditionally been responsible for the agricultural production that is now in decline. On the islands of Diamniadio and Fayako, for example, women reported that their crops used to be sufficient to feed their families for the whole year, but now only last about two months.[5]

As the agricultural output on these islands has declined due to the impacts of climate change, this has increased reliance on artisanal fishing. The artisanal fishing industry is of increasing importance to these communities and to Senegal generally. It includes both (predominately male) boat-based fishing, as well as (predominately female) shoreline shellfish collection and fish processing.[6] According to the ESIA, the fishing industry in Senegal generates direct and indirect jobs for around 17% of the active population, is a key pillar of food security, and generates significant export income.[7]

Women are thought to be up to 50% of the small-scale fisheries workforce, and make up approximately 90% of fish processors.[8] Research has noted that their participation is generally underreported due to the fact that women's work in this sector is "often unpaid, informal, part-time, or simply considered an extension of women's household responsibilities."[9]

There has been significant global attention in recent years on the collapsing fish resources off the coast of Senegal, and its economic and social impacts. Extensive research has demonstrated how declining fish stocks is a major contributor to poverty in Western Africa for communities along the coastline, and that there are "very limited alternative livelihood opportunities" for many households.[10]

These challenges of climate change and collapsing fisheries can be seen to be mutually reinforcing: as climate change reduces agricultural output, communities turn to increased artisanal fishing to produce their food and maintain income, which in turn depletes fish resources further. Similarly,

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[1] ActionAid Senegal (2017) "*The Agro-ecology and Resilience Project Social research: How Climate Change Impacts Islands in Senegal".*
[2] Ibid.
[3] Ibid.
[4] https://www.un.org/development/desa/dpad/least-developed-country-category-senegal.html
[5] Ibid.
[6] Sarah Harper et al (2017), "Contributions by Women to Fisheries Economies: Insights from Five Maritime Countries," *Coastal Management*, vol. 45, no. 2.
[7] Woodside, *SNE Development Phase 1: Environmental and Social Impact Assessment*: https://files.woodside/docs/default-source/current-consultation-activities/senegal-activities/draft-sne-development-phase-1-environmental-and-social-impact-assessment-(english).pdf?sfvrsn=6acc7c9a_10 (hereby referred to as Woodside), p. 19.
[8] Sarah Harper et al (2017), "Contributions by Women to Fisheries Economies."
[9] Ibid.
[10] Dyhia Belhabib, U. Rashid Sumaila, Daniel Pauly (2015), "Feeding the poor: Contribution of West African fisheries to employment and food security", *Ocean & Coastal Management*, vol. 111.

climate change can be expected to continue to impact on the marine environment and availability of fish resources.

Consideration of the SNE field development must consider these significant existing challenges facing local communities. Of particular concern is the potential impact of the SNE development on the already precarious fish stocks on which these communities rely, as well as the risk of an oil spill, which could devastate not only the fisheries but the entire Saloum Delta and island ecosystems such as mangroves. These risks will be discussed below in section 2.3 and 2.4.

2.2 Environmental context

Senegal is the country situated furthest to the west on the African continent and its waters are a part of the diverse and extensive West African coastline, stretching from Mauritania in the north to Guinea. Senegal's coastal line is 700 kilometres long and is characterised by rocky cliffs, dense mangrove forests, and sandy beaches. Due to its location, it represents the northern limits for a vast number of marine and coastal animal and plants, as well as being a critical wintering and resting point for many Palearctic birds. Its marine and coastal life is already facing multiple threats due to habitat destruction, and the potential opening of the SNE field runs the risk of exacerbating these threats.

As identified in the project ESIA, the SNE project area is home to many demersal and pelagic fish, as well as cetaceans and other species critical to the marine ecosystem.[11] However, as stated by the Wilderness Society, the impacts of oil development projects on the environment cannot be isolated and evaluated on a site-by-site, or case-by-case basis, they need to be evaluated at a regional level.[12] It is therefore important to outline the environmental context of not only the SNE field area in itself, but also the surrounding areas.

The SNE field is located in close proximity to Ramsar listed wetlands, a UNESCO biosphere, and national parks. Further, the Senegalese waters are home to more than 1000 species of fish (many of which are commercially valuable), as well as five marine turtles and a number of cetacean species. Many of these are categorised as vulnerable, endangered and critically endangered on the IUCN Red List, such as the Atlantic humpback dolphin, smoothback angel shark, sawback angel shark, green turtle, loggerhead turtle, and the hawksbill turtle. In the case of the hawksbill turtle, its only major breeding ground on mainland Africa is located in close proximity to the SNE field.[13]

Senegal also has a rich avifauna, which includes more than 612 species. Many of these are Palearctic bird species that pass through the area each year on their long migrations, and a good supply of fish is essential to build their energy reserves.[14] These include the critically endangered Balearic shearwater and endangered Cape gannet.[15]

It is also worth mentioning that the coastal and marine biodiversity of Senegal is interdependent with that of neighbouring countries. Marine mammals, birds and fish are not constrained by country

[11] Woodside.
[12] The Wilderness Society (2016) "Danger in our seas: The unacceptable risks of oil exploration and production in the Great Australian Bight", Submission into the Inquiry by the Australian Senate Standing Committee on Environment and Communications into Oil and Gas production in the Great Australian Bight
[13] Woodside.
[14] World Wildlife Fund (n.d.) *Creation of a Marine Protected Area Network in Senegal,* accessed 08 April 2019, <http://d2ouvy59p0dg6k.cloudfront.net/downloads/senegalmpa.pdf>
[15] Woodside.

borders, meaning that a negative impact on biodiversity in Senegal will negatively affect the biodiversity of the neighbouring countries.

The ESIA does not address these concerns adequately and argues that the block is likely to be transient in nature, and as such does not pose any significant or critical threat to the environment. This assessment thus fails to take into account the environmental context of the region as a whole, and the risks that both an oil spill and normal operations present, as discussed in section 2.3 and 2.4 below.

2.3 Risks and impacts from normal operations

Environmental and social assessments of oil developments, and particularly deepwater offshore developments such as the SNE field project, often focus on the impacts associated with the catastrophic consequences of major oil spills. Oil spills are a significant risk of this project, and will be outlined in section 2.4. It is important to consider, however, that even if no spill were to occur throughout the life of this project, it would still have significant adverse consequences for the marine environment and affected communities. The key social and environmental impacts arise from drilling fluids and cuttings disposal, noise pollution, and vessel collisions.

2.3.1 Drill fluids and cuttings disposal

The use of various types of chemicals is critical for the production of oil and gas as they are used in every stage of drilling, completing and producing oil and gas wells.[16] The adverse impacts of such chemicals on the marine environment "include acute or long term toxic effect to marine organisms" and "can magnify in the food chain and result in high exposure levels for top predators like seabirds and marine mammals and for human seafood consumers."[17] The latter health risk is particularly important to consider given the high reliance on locally-caught seafood as a source of nutrition in Senegal, but is not addressed in the ESIA.

The discharge of drilling fluids and drill cuttings associated with the drilling of wells in oil development is one of the main causes of chemical pollution.[18] The SNE field will see the drilling of up to 31 development wells which will result in the discharge of drill cuttings, cement and residual drilling fluids on the seabed around each well.[19]

According to the ESIA, Woodside does not consider this a significant threat to the marine environment for two reason: firstly, due to the selection of drilling fluids, which is likely to be a combination of Water Based Drilling Fluids (WBM) and Non-Aqueous Drilling Fluid (NADF) when needed;[20] and secondly, because the discharge models of the drill cuttings and fluids includes a specified treatment of all NADF cuttings prior to disposal overboard requiring the average amount of oil on the cuttings to be less than 5% by weight of wet cuttings.[21]

There are two concerns with this conclusion. First, although it is true that the discharge of WBM do not pose as serious a risk as the discharge of NADF, they do still contain chemicals, and as such the

[16] OSPAR Commission (2009) "Assessment of impacts of offshore oil and gas activities in the North-East Atlantic", *Offshore Industries Series,* <https://qsr2010.ospar.org/media/assessments/p00453_OA3-BA5_ASSESSMENT.pdf>, page 14
[17] Ibid.
[18] Fight for the Bight (n.d.) *Chemical pollution and discharge of drilling fluids*, accessed 08 April 2019 <https://www.fightforthebight.org.au/pollution>
[19] Woodside, p. 23
[20] Ibid, p. 76
[21] Ibid, p. 11

OSPAR commission states that "the discharge of water based fluids and associated drill cuttings are still a concern in areas with sensitive benthic fauna, for example cold water corals."[22] As stated in the ESIA, little information was previously known on the benthic habitats and communities in Senegalese waters until the research ordered by the company themselves was carried out in 2017.[23] Based upon the results of this assessment, the ESIA concludes that the area does not contain any sensitive communities, yet it acknowledges that the existence of cold water corals and various types of fauna were detected within the Sangomar Offshore Block.[24]

Recommendation: Efic should commission an independent environmental baseline study of the project area and surrounding ecosystems, and this should include a literature review of existing science as well as local communities' knowledge and understanding.

Second, although the 5 per cent standard for oil on cuttings set out in the ESIA aligns with the Abidjan Protocol on environmental standards for oil and gas exploration and exploitation activities,[25] this percentage appears to be significantly higher than standards set by individual countries with a history of offshore oil exploration. Norway, for example, only allows cuttings with less than 1% oil to be discharged at sea, and also has a zero-discharge policy in the Barents Sea.[26] The discharge of oil-based cuttings at sea is prohibited entirely by the United States Environmental Protection Agency.[27]

Given the high numbers of critically endangered, endangered, and vulnerable species in the SNE project area, combined with the high importance of fish resources for local livelihoods and food supply, stricter standards should be implemented regarding the disposal of drilling fluids and cuttings.

Recommendation: Efic should require a zero-discharge policy of cuttings and drilling fluid for this project.

2.3.2 Noise Pollution

The ESIA for this project states that "no seismic surveys are part of the scope of this ESIA."[28] The ESIA acknowledges, however, that seismic monitoring will be required throughout the life of the project.[29] More worryingly, it is clearly the intention of the project proponents to expand this project over time,[30] which would require significant seismic surveys. In addition, this project could open up the SNE field to other developments, which the ESIA acknowledges could lead to cumulative impacts from seismic surveying.[31] The SNE field development will also lead to noise pollution from operations such as drilling and vessel use.[32]

Ocean noise pollution negatively impact at least 55 marine species, including several endangered species of whales, commercially valuable species of fish,[33] and two marine turtles (loggerhead turtle

[22] OSPAR Commission (2009) "Assessment of impacts of offshore oil and gas activities in the North-East Atlantic", 12.
[23] Woodside, p. 648
[24] Ibid, p 15
[25] Ibid, p. 11
[26] Zhiqiang Huang et al (2018) "A review of treatment methods for oil-based drill cuttings," *IOP Conference Series: Earth and Environmental Science* (Vol. 170, No. 2, p. 022074). IOP Publishing.
[27] Ibid.
[28] Woodside, p. 378
[29] Ibid., p. 101
[30] Ibid., p. 5
[31] Ibid., p. 235
[32] Ibid., p. 24
[33] The Natural Resources Defense Council (NRDC) (n.d.) *Boom, Baby, Boom: The Environmental Impacts of Seismic Surveys*, accessed at 8 April 2019 <https://www.nrdc.org/sites/default/files/seismic.pdf>

and green turtle). Typical impacts of noise pollution include "increase in mortality of juvenile stages of fish, permanent hearing impairment and the displacement of fish and marine mammals from their normal range."[34]

Although all construction work when developing an oil field creates ocean noise pollution of some kind, the most significant source stems from seismic air gun surveys which can be heard far away from their sources as they have the potential to travel for up to 4000 kilometres and can raise background noise levels by a 100-fold.[35]

This has serious consequences for the marine life, including marine mammals, marine turtles, fish, and invertebrates. As noted by Dr Lindy Weilgart, a specialist in underwater noise pollution:

> "these impacts range from behavioral changes such as decreased foraging, avoidance of the noise, and changes in vocalizations through displacement from important habitat, stress, decreased egg viability and growth, and decreased catch rates, to hearing impairment, massive injuries, and even death by drowning or strandings. Seismic airgun noise must be considered a serious marine environmental pollutant."[36]

The adverse impact of seismic surveys on fisheries in particular is also well documented. Studies have shown, for example, that following seismic surveys catch rates of cod and haddock declined by 40 to 80 percent for thousands of miles.[37]

Given the lack of information about the seismic monitoring planned for this project, and the potential cumulative impacts on both artisanal fishing communities and the local ecosystems of future seismic surveys, there is a need for further information on the potential use of seismic surveys associated with the project and for standards to be outlined and implemented with regard to ocean noise pollution in general.

Recommendation: Efic should request further information regarding the extent of noise pollution that will be associated with the project, and engage independent experts to assess possible impacts on fisheries and the marine environment.

2.3.3 Vessel collisions

Collisions between cetaceans and vessels are known as vessel strike, and they represent serious threat, especially in the case of endangered species.[38] As noted by Woodside themselves, "there is a relatively high number of cetacean species in Senegalese waters, including the critically endangered Atlantic humpback dolphin, three species of endangered whale (blue, fin and sei whale) and the vulnerable sperm whale."[39]

Oil exploration and development Senegalese waters will increase the traffic of vessels, thus increase the risk of vessel strikes for all of these species. This threat highlights the need to further research

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[34] OSPAR Commission (2009) "Assessment of impacts of offshore oil and gas activities in the North-East Atlantic", p. 30

[35] Nieukirk et al (2012) " Sounds from airguns and fin whales recorded in the mid-Atlantice Ocean, 1999-2009", *The Journal of the Acoustical Society of America*, *131*(2).

[36] Lindy Weilgart (2013). "A review of the impacts of seismic airgun surveys on marine life." Submitted to the CBD Expert Workshop on Underwater Noise and its Impacts on Marine and Coastal Biodiversity, 25-27 February 2014.

[37] Oceana, https://oceana.org/our-work/climate-energy/seismic-airgun-blasting/overview.

[38] Agreement on the Conservation of Small Cetaceans of the Baltic, North East Atlantic, Irish and North Seas (ASCOBANS) (n.d.) *Ship Strikes,* accessed at 8 April 2019 <https://www.ascobans.org/en/species/threats/ship-strikes>

[39] Woodside, p. 16

and map not only which cetacean species can be found in the region, but also their movement patterns. This increased risk has not been sufficiently addressed in the ESIA.

Recommendation: Efic should conduct further research of increased vessel traffic and its likely impact on the marine environment.

The ESIA also found that artisanal fishers frequent the SNE project proposal area, despite its relative distance from the coast, and the ESIA's assertion that it is not an area of importance for artisanal fishers. These sightings could be a reflection of the increasing pressure facing artisanal fishers, who are forced to travel further and further to sustain their livelihoods due to the overall decline in fish resources noted above. The risk for artisanal fishers and workers' health and safety due to vessel collisions has also not been sufficiently addressed by the ESIA.

Recommendation: As part of an independent human rights impact assessment, Efic should ensure further information is gathered about the current and projected use of the project area by artisanal fishers.

2.4 Risk and impacts of oil spills

2.4.1 Major spills

An oil spill would have a catastrophic impact on local communities' livelihoods and food security. The oil spill modelling provided in the ESIA clearly shows the widespread devastation that would occur across the Senegalese coastline and marine environment in the case of a well blowout or even less serious spills.[40]

Significant and long-term impacts on livelihoods could occur both due to impacts at sea on fish resources as well as along the Senegalese coastline, where mangroves are a critical part of the ecosystem. As noted in ActionAid Senegal's research, for example, the Diamniadia island community has successfully rehabilitated the local mangrove ecosystem since 1999, which is critical for supporting fish and seafood production.[41]

There is significant research demonstrating the impacts on livelihoods, and particularly for women, in coastal communities reliant on artisanal fishing and agriculture. In the Niger delta, for example, oil spillage and pollution has left significant tracts of previously productive agricultural land unable to be farmed, and destroyed local coastal mangrove ecosystems including important food sources for local communities.[42] Women, traditionally responsible for food production for their households, have often been the most affected, and have also faced barriers accessing compensation due to male-dominated formal land ownership systems.[43]

Despite the ESIA's assertion that a well blowout or other spill is unlikely, it is worth nothing that the depth of drilling and distance from the shore – two risk factors for an oil spill – are similar to the conditions seen in the infamous *Deepwater Horizon* spill. The Macondo well, responsible for the spill, was drilled 66km offshore to a total depth of approximately 5.5km, including 1.5mk of water

[40] Woodside, p. 443-454.
[41] ActionAid Senegal (2017) "*The Agro-ecology and Resilience Project Social research How Climate Change Impacts Islands in Senegal*"
[42] A. O. I. Gabriel (2004), "Women in the Niger Delta: Environmental Issues and Challenges in the Third Millennium," Journal of Sustainable Development in Africa, 6 (2) <http://www.jsd-africa.com/Jsda/Fall2004/women%20in%20the%20niger%20delta.pdf>
[43] Ibid.

depth.[44] The ESIA for the SNE field development indicates that the wells for this project would be drilled 90km offshore in waters of up to 1.5km deep, and to a total depth of approximately 5km.[45]

A report by a committee of 15 experts convened by the National Academy of Engineering described offshore drilling, particularly in deep water of more than 1,000 feet, as inherently hazardous.[46] Similarly, in a 2018 study of the impacts on fisheries of the Deepwater Horizon spill, the authors note that the catastrophic impacts of the spill "may represent the new normal as offshore oil and gas drilling moves into deeper water."[47] This study found that in the worst affected areas following the spill, the biomass of large reef fish, elasmobranchs, and small pelagic fish decreased by 25-50%, large pelagic and demersal fish decreased by 40-70%, and small demersal and reef fish decreased by as much as 50-75%.[48] The modelling also found that some fish species were unlikely to recover for more than 50 years following the spill, and an overall reduction in catch of 20-40%.[49]

Also of concern with regard to the SNE field development proposal, the oil spill modelling provided also shows that in the case of a well blowout, areas of the Gambia could be affected as significantly as Senegal's waters and coastline.[50] The ESIA indicates, however, that consultation has only taken place within Senegal, and simply states that it would be the responsibility of the Senegal government to notify neighbouring countries in the event of a spill.[51] It is thus critical that further consultation with affected communities takes place in the Gambia, with a focus on women and vulnerable groups, and the extent to which local, regional, and national government agencies in the Gambia have been consulted.

Recommendation: Efic should ensure that all relevant affected communities and government agencies have access to oil spill modelling maps and have been adequately consulted in both Senegal and the Gambia, with a focus on involvement of women's organisations and vulnerable groups.

2.4.2 Minor spills

When catastrophic oil spills occur, such as the BP oil disaster, it rightly gathers widespread media attention. However, even minor and moderate oil spills have a cumulative impact on the environment. Yet, they receive less media attention, less regulation, less environmental impact assessment and reduced resources for clean ups. Such spills occur frequently as a result of natural and human activity, the latter including human error, aging infrastructure and abandoned wells and rigs.[52] In the OSPAR area, for example, 95% of all oil spills between 2000 and 2007 were minor or moderate oil spills (one tonne or less), averaging at 637 oil spills annually.[53]

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[44] Marine Board (2012) *Macondo Well Deepwater Horizon Blowout: Lessons for Improving Offshore Drilling Safety*. National Academies Press.
[45] Woodside, p. 92.
[46] Marine Board (2012) *Macondo Well Deepwater Horizon Blowout: Lessons for Improving Offshore Drilling Safety*.
[47] Cameron Ainsworth et al (2018) "Impacts of the Deepwater Horizon oil spill evaluated using an end-to-end ecosystem model", *PloS one*, *13*(1)
[48] Ibid.
[49] Ibid.
[50] Woodside, p. 469.
[51] Ibid., p. 469.
[52] Emma Grey Ellis (2016), "Thousand of invisible oil spills are destroying the Gulf," *Wired,* accessed at 8 April 2019 <https://www.wired.com/2016/12/thousands-invisible-oil-spills-destroying-gulf/>
[53] OSPAR Commission (2009) "Assessment of impacts of offshore oil and gas activities in the North-East Atlantic."

Adding to this, the size of minor oil spills is often underreported. In the Gulf of Mexico for example, researchers found that the actual size of oil spills was up to 13 times higher than reported by the companies.[54] It is also concerning the main proponent for the SNE field development, Woodside, was involved in a minor oil spill in 2017, and their involvement was originally withheld from the public by the National Offshore Petroleum Safety and Environmental Management Authority.[55]

The risk of minor and moderate oil and chemical spills is not adequately addressed by Woodside in the ESIA. The ESIA acknowledges that the likelihood of small oil spills is higher than the likelihood of major spills, and that even smaller spills have the potential to reach large areas. However, despite the devastating impacts minor oil spills can have on the environment, especially due to the potential cumulative impacts, Woodside argues that the significance of these spills would be "minor" or "negligible" due to their "robust water quality programme."[56] It is unclear as to why this programme would have the potential to offset these environmental impacts.

2.5 Relevant standards and considerations for Efic

IFC Performance Standard 1, "Assessment and Management of Environmental and Social Risks and Impacts," outlines requirements regarding stakeholder consultation, including affected community consultation. For projects such as the SNE field development, with potentially significant adverse impacts on affected communities, this performance standard requires a process of informed consultation and participation with affected communities, and stipulates that this should specifically address women's needs separately to men's.

According to this performance standard, informed consultation and participation involves:

> "in-depth exchange of views and information, and an organized and iterative consultation, leading to the client's incorporating into their decision-making process the views of the Affected Communities on matters that affect them directly, such as the proposed mitigation measures, the sharing of development benefits and opportunities, and implementation issues."[57]

It is evident from the project ESIA that affected communities and regional and local government officials involved in the consultation process raised many concerns and requested further information on a number of points. The local communities in coastal areas that were consulted expressed significant concern about the impact on fisheries and the growing local tourism industry.[58] These consultations also repeatedly called for compensation to be offered in the case of livelihoods being lost as a result of the project.[59] The ESIA's response to these concerns is grossly inadequate, and only states that "Woodside will follow a formal compensation process in line with international

[54] Mark Scrophe (2013) Minor oil spills are often bigger than reported, *Nature,* accessed at 8 April 2019 <https://www.nature.com/news/minor-oil-spills-are-often-bigger-than-reported-1.12307>
[55] Michael Slezak and Joshua Robertson (2017) Woodside says it was behind oil spill that regulator kept secret, *The Guardian,* accessed at 12 April 2019 <https://www.theguardian.com/environment/2017/may/19/woodside-says-it-was-behind-oil-spill-that-regulator-kept-secret>
[56] Woodside, p. 504.
[57] IFC performance standard 1, https://www.ifc.org/wps/wcm/connect/3be1a68049a78dc8b7e4f7a8c6a8312a/PS1_English_2012.pdf?MOD=AJPERES
[58] Woodside, p. 284-303.
[59] Ibid., e.g. p. 288

standards" in the case of accidental spills, without specifying which standards, or how the process would be managed.[60]

Similarly, although the ESIA includes images of women's focus groups,[61] it is not clear from the ESIA the extent to which women's organisations have been consulted, and the ESIA does not present any issues that have arisen from women and other vulnerable groups, and instead provides just a brief overview of aggregated village-level feedback.[62] It is therefore unlikely that the criteria of informed consultation and participation of affected communities has been met by this project.

In addition, support from affected communities for the project tends to be linked to hopes for the generation of jobs for local communities, and especially young people who may not have graduated high school.[63] According to the ESIA, however, only "minor to moderate" employment will be generated by this project, and this will primarily be for skilled labour.[64] The ESIA fails to provide any kind of plan for training and employment of affected communities, including how opportunities will target women and vulnerable groups, and instead only states that a recruitment and training plan will be developed in the future and there will be some preference given to Senegalese workers.[65] This area is a major weakness in the ESIA, and also raises significant concerns about the information being provided to affected communities regarding the reality of potential local economic benefits from the project.

Furthermore, IFC Performance Standard 5, which refers to land acquisition and involuntary resettlement, relates "to both physical displacement (relocation or loss of shelter) and to economic displacement (loss of assets or access to assets that leads to loss of income sources or other means of livelihood) as a result of project-related land acquisition."

It is our view that given the serious impacts on livelihoods that is likely to occur due to this project's impact on land and water usage – both in the case of oil spills and in the course of normal operations – economic displacement is a serious risk of this project. Despite it not involving land acquisition, due to its offshore nature, it is recommended that Efic ensure community calls for compensation and other mitigation measures in response to these risks are addressed.

Given these concerns regarding the consultation process to date, and the risk of economic displacement for affected communities, Efic should undertake independent consultation with affected communities, with a focus on women and other vulnerable groups, and ensure that their views are incorporated into Efic's decision-making.

Recommendation: Efic should commission an independent human rights impact assessment of this project, with a focus on consulting with women and vulnerable groups and their organisations, and this assessment should be made publicly available.

IFC Performance Standard 6, "Biodiversity Conservation and Sustainable Natural Resource Management," outlines requirements regarding protection and conservation of biodiversity, management of ecosystem services, sustainable management of living natural resources and supply chains. Following this standard, there are numerous requirements for projects like the SNE development, which has the potential to significantly damage the biodiversity of Senegal's waters

[60] Ibid., 506.
[61] Ibid., p. 279.
[62] Ibid., p. 303.
[63] Ibid., p. 303.
[64] Ibid., p. 477.
[65] Ibid., p. 477.

and beyond. This includes, but is not limited to, a requirement that the company must address the potential impacts on biodiversity, especially critical habitat and legally protected areas, and a requirement to obtain independent studies to show that natural resources are sustainably managed.[66]

As stated in the ESIA, previous to the research ordered specifically for this project, there was a gap of information on the biodiversity in the project area and ecoregion more generally. There are numerous statements in the ESIA that highlights the need for further information about biodiversity. One example is the conclusion that there are no sensitive communities on the seabed even though cold water corals were found within the project area. It is therefore unlikely that the requirement of addressing the potential impacts on biodiversity is adequately addressed.

Recommendation: Efic should commission an independent environmental impact assessment of this project, and this assessment should be made publicly available.

3. Climate change impacts

3.1 Climate impacts

Given the critical juncture at which the world finds itself in relation to limiting the worst impacts of human-induced climate change, it is important that the carbon risk posed by projects such as the SNE field development are adequately considered.

If approved, this project would be the first major offshore oil development in Senegal, opening up one of two large oil fields off the coast of Senegal. The climate risk associated with this project, and the role it could play in the development of the second large offshore oil and gas field, FAN, is incompatible with the binding international commitments that Australia has made on climate change and Efic's obligations to act in accordance with these.

Woodside has estimated in its ESIA that 8.9 million tonnes of CO2 would be generated from the proposed development for the life of the SNE field project, a figure equivalent to 5% of the total carbon emissions for Senegal in 2014.[67] What the ESIA fails to take into account is the much higher potential Scope 3 emissions that would be generated from downstream combustion of the extracted oil and gas.

The SNE field alone is estimated to contain more than 641 million barrels of oil,[68] which have the potential carbon emissions of more than 256 million tonnes of CO2[69] or the equivalent of a coal-fired power station operating for more than 65 years. The adjacent FAN field, where development potential would increase substantially if the SNE project were to come online, is estimated to

[66] IFC performance standard 6, <https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/sustainability-at-ifc/policies-standards/performance-standards/ps6>

[67] Lisa Martin (2019) Woodside Pteroleum sought Australian taxpayer funds for African oil and gas field, *The Guardian,* accessed at 10 April 2019 <https://www.theguardian.com/australia-news/2019/mar/27/woodside-petroleum-sought-australian-taxpayer-funds-for-african-oil-and-gas-field>

[68] FAR Limited, *2018 annual report*, https://far.live.irmau.com/irm/PDF/2425_0/AnnualReport2018, p. 11

[69] Using IPCC emissions factors, available from this WRI report, p. 11: http://wri.org/sites/default/files/A_Recommended_Methodology_for_Estimating_and_Reporting_the_Potential_Greenhouse_Gas_Emissions_from_Fossil_Fuel_Reserves.pdf

contain an additional 198 million barrels of oil,[70] or 79 million more tonnes of potential CO2 emissions.[71] The fields have been described as an "emerging giant hydrocarbon producing basin."[72]

3.2 Relevant standards and considerations for Efic

Unlike many large financial institutions, Efic does not have a specific policy on climate change, and instead relies upon the IFC Performance Standards. The IFC's standards for assessing climate risk, covered in Performance Standard 3, "Resource Efficiency and Pollution Prevention," however, is insufficient for fully assessing the impact of projects on climate change as it fails to take into account Scope 3 emissions generated from downstream combustion of resources.

A more relevant standard for Efic would be the Paris Agreement on Climate Change, which Australia has ratified, and aims to limit global temperature rise this century to 1.5 degrees Celsius, which experts agree gives us a reasonable chance of avoiding the worst impacts of climate change.

There is a significant body of research showing that this goal is inconsistent with the development of any new fossil fuel projects. According to Oil Change International, for example, "the potential carbon emissions from the oil, gas, and coal in the world's currently operating fields and mines would take us beyond 2°C of warming," meaning that not only can new fossil fuel infrastructure not be built, existing infrastructure must be rapidly phased out.[73] Similarly, the International Energy Agency's 2018 *World Energy Outlook* found that existing carbon-emitting infrastructure is currently projected to use up almost the entire global carbon budget by 2040, and there is therefore no additional space for polluting infrastructure.[74]

It is therefore necessary for Efic to go beyond the IFC Performance Standards in its consideration of the potential impacts of the proposed SNE development, and reject the proposal on the basis of its manifest inconsistency with the scientific and political consensus on the need to act decisively on climate change.

Recommendation: Efic should develop a climate change policy that is based on the 1.5 degree goal set out in the Paris Agreement, and rule out supporting any projects inconsistent with that goal. This policy should include Scope 3 emissions from coal, oil, and gas extraction projects.

4. Governance and regulatory concerns

4.1 The resource curse and revenue risks

The so-called "resource curse," also known as the paradox of plenty, refers to a trend in which low income countries experience poor economic growth and development outcomes from natural resource development, and see violent conflict increase. In fact, economic growth often has an

[70] FAR Limited 2018 annual report, p. 11.
[71] Using IPCC emissions factors, available from this WRI report, page 11: http://wri.org/sites/default/files/A_Recommended_Methodology_for_Estimating_and_Reporting_the_Potential_Greenhouse_Gas_Emissions_from_Fossil_Fuel_Reserves.pdf
[72] FAR Limited 2018 annual report, p. 8: https://far.live.irmau.com/irm/PDF/2425_0/AnnualReport2018
[73] Greg Muttitt (2016) The sky's the limit: Why the Paris Climate goals require a managed decline of fossil fuel production, *Oil Change International,* accessed at 12 April 2019 <http://priceofoil.org/2016/09/22/the-skys-limit-report/>
[74] Adam Vaughan (2018) World has no capacity to absorb new fossil fuel plants, warns IEA, *The Guardian,* accessed at 12 April 2019 <https://www.theguardian.com/business/2018/nov/13/world-has-no-capacity-to-absorb-new-fossil-fuel-plants-warns-iea>

inverse relationship with natural resource abundance.[75] This is generally linked to corporate tax avoidance, corruption, and government regulation and contractual agreements with extractive companies that fail to secure a fair share of revenue from royalty and tax payments.

Foregone revenue due to tax avoidance, problematic regulation and contracts, and corruption disproportionately affect women and girls living in poverty, as well as other vulnerable groups, as they are more reliant on public services such as healthcare, education, and access to justice to achieve equality and their rights. These public services are often eroded or never materialise if corporate tax avoidance and corruption from extractive projects limit government revenue.

In the IMF's economic outlook for sub-Saharan Africa in 2016, they found that a sharp decline in commodity prices put severe strains in many of the largest sub-Saharan African economies. This was especially the case with Nigeria and Angola that are oil-exporting countries, but also countries such as South-Africa and Ghana where mining is a big industry. Further, the report stated that "the most vulnerable countries were by far the region's oil exporters." Senegal, as an oil importer, fared better compared with oil-exporters.[76]

Foregone revenue due to corporate tax avoidance is the main source of revenue loss in Africa.[77] According to the IMF, "in Africa's top producer Nigeria, billions of dollars of oil revenues have vanished while many in the country remain impoverished. Long-time rulers in Equatorial Guinea, Republic of Congo and Gabon have long used patronage systems fed by oil wealth to help maintain power."[78] In Nigeria, significant corruption has also contributed to foregone revenue. In 2011, for example, an anonymous company ownership structure enabled a US $1.1 billion oil rights payment from Shell and Eni to be channeled to the former oil minister rather than the Nigerian Government.[79]

4.2 Risks of this project

As the oil industry knocks on Senegal's door, there are widespread concerns from civil society that Senegal too will fall victim to the resource curse. According to Ibrahima Aidara, an economist at the Open Society Initiative for West Africa, "the oil and gas could boost the economy, but at the same time resources can turn into a curse." [80] This concern is shared by the public in Senegal, with protests in Dakar in 2016 questioning whether benefits would materialise from the oil industry in Senegal, and arguing that oil would only benefit the international companies.[81]

An analysis of Senegal's contracts for the SNE field and the country's susceptibility to corruption supports these concerns, and suggest that the SNE field development phase 1 is unlikely to deliver significant benefits to the Senegal economy or support development outcomes.

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[75] Sachs, J.D., Warner, A.M., 1995. revised 1997, 1999. "Natural resource abundance and economic growth," National Bureau of Economic Research Working paper No. 5398, Cambridge, MA.
[76] International Monetary Fund (2016) *Time for a policy reset*, accessed at 11 April 2019 <https://www.imf.org/en/Publications/REO/SSA/Issues/2016/04/05/Time-for-a-Policy-Reset>
[77] https://www.gfintegrity.org/wp-content/uploads/2014/05/Illicit_Financial_Flows_from_Developing_Countries_2001-2010-HighRes.pdf
[78] Edward McAllister (2016) "Senegal at crossroads as oil boom looms," *Reuters*, accessed at 11 April 2019 <https://www.reuters.com/article/us-senegal-oil/senegal-at-crossroads-as-oil-boom-looms-idUSKBN12Z1GK>
[79] Global Witness (n.d.) *Shell and Eni's misadventures in Nigeria,* accessed at 12 April 2019 <https://www.globalwitness.org/en/campaigns/oil-gas-and-mining/shell-and-enis-misadventures-nigeria/>
[80] Edward McAllister (2016) Senegal at crossroads as oil boom looms
[81] ibid

Detailed economic analysis of the SNE field production sharing contract itself has revealed that Senegal is likely to receive below-average revenue from this field over the entire life of the project. According to economists Awa Diouf and Bertrand Laporte:

> "this contract is far from being 'optimal' for Senegal. The government take is well below 'international standards', and the risks of a low perception over the project life are significant. Arbitrage between attractiveness and state revenue is against the latter. The SNE exploration and production sharing contract leads to a regressive tax system, which goes against international good practices."[82]

This study, published in 2017, recommended a revision to Senegal's 1998 oil code. Although revisions to Senegal's Petroleum Code were made in 2019, these changes will not be retroactive, and as such will not address the problem of foregone revenue from the SNE field development.[83]

Furthermore, corruption is still a problem in Senegal, and it poses a moderate to a high risk in most sectors. Most common are bribery and petty corruption.[84] One example of this occurred in 2015, when Karim Wade, the son of former president Abdoulaye Wade, was sentenced to jail because he hid funds in offshore companies in British Virgin Islands and Panama.[85] According to Anaïs De Meulder, Africa Analyst at global risk consultancy Verisk Maplecroft, "despite its strong institutions, persistently high levels of government corruption leave Senegal vulnerable to the so-called resource curse."[86]

Recommendation: Efic should not proceed with this project unless issues regarding the governance risks and low potential for economic benefits are addressed. The contract regarding this project and projected payments to government over its life should be publicly accessible to all relevant stakeholders at the local, regional and national levels in Senegal, and part of the consultation process for this project.

5. Conclusion and summary of recommendations

The SNE field development phase 1 project is the first of its kind in Senegal, it is located in deep water, and it is proposed for an area known for its incredibly biodiverse and sensitive ecosystems on which local communities rely.

Affected communities, and particularly women within these communities are facing significant pressures due to climate change, poverty, and loss of livelihoods in agriculture and artisanal fishing. It is further unlikely that Senegal will see significant economic benefit from this project due to taxation or royalty payments. In particular, risks of the SNE field development include:

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[82] Awa Diouf and Bertrand Laporte (2017), "Oil contracts and government take: Issues for Senegal and developing countries," *Fondation pour les études et recherches sur le développement international*, Working Paper 209, p. 17 <http://www.ferdi.fr/sites/www.ferdi.fr/files/publication/fichiers/p209-ferdi-diouf_et_laporte.pdf>

[83] Alonso Soto (2019) Senegal's oil code to be applied to new license holders only, *Bloomberg,* accessed at 11 April 2019 <https://www.bloomberg.com/news/articles/2019-02-13/senegal-s-oil-code-to-be-applied-to-new-license-holders-only>

[84] Business Anti-Corruption Portal (n.d.) *Senegal Corruption Report*, accessed at 11 April 2019 <https://www.business-anti-corruption.com/country-profiles/senegal/>

[85] Edward McAllister (2016), "Senegal at crossroads as oil boom looms"

[86] Edward McAllister (2016), "Senegal at crossroads as oil boom looms"

- Impacts on local livelihoods and biodiversity from normal operations, including drilling fluid and cuttings pollution, noise pollution, and vessel collisions.
- Impacts on local livelihoods and biodiversity from oil spills, including catastrophic impacts from major spills but also significant adverse consequences from minor spills.
- Significant carbon emissions and contribution to climate change that is incompatible with the globally agreed goal of limiting warming to no more than 1.5 degrees Celsius.
- A lack of economic benefits for Senegal due to the relatively low amount of revenue expected to be generated throughout the life of the project, and corruption risks.

ActionAid Australia, Caritas Australia, and Jubilee Australia therefore strongly urge Efic not to proceed with this project.

If Efic does intend to further consider funding this project, implementing the following recommendations would strengthen Efic's due diligence and management of environmental, social, climate, and governance risks:

1. Efic should commission an independent environmental baseline study of the project area and surrounding ecosystems, and this should include a literature review of existing science as well as local communities' knowledge and understanding.
2. Efic should require a zero-discharge policy of cuttings and drilling fluid for this project.
3. Efic should request further information regarding the extent of noise pollution that will be associated with the project, and engage independent experts to assess possible impacts on fisheries and the marine environment.
4. Efic should conduct further research of increased vessel traffic and its likely impact on the marine environment.
5. Efic should ensure that all relevant affected communities and government agencies have access to oil spill modelling maps and have been adequately consulted in both Senegal and the Gambia, with a focus on involvement of women's organisations and vulnerable groups.
6. Efic should commission an independent human rights impact assessment of this project, with a focus on consulting with women and vulnerable groups and their organisations, and this assessment should be made publicly available.
7. As part of an independent human rights impact assessment, Efic should ensure further information is gathered about the current and projected use of the project area by artisanal fishers.
8. Efic should commission an independent environmental impact assessment of this project, and this assessment should be made publicly available.
9. Efic should develop a climate change policy that is based on the 1.5 degree goal set out in the Paris Agreement, and rule out supporting any projects inconsistent with that goal. This policy should include Scope 3 emissions from coal, oil, and gas extraction projects.
10. Efic should not proceed with this project unless issues regarding the governance risks and low potential for economic benefits are addressed. The contract regarding this project and projected payments to government over its life should be publicly accessible to all relevant stakeholders at the local, regional and national levels in Senegal, and part of the consultation process for this project.