



1. Project Data:		Date Posted : 04/28/2003	
PROJ ID: P040409		Appraisal	Actual
Project Name: Emergency Oil Spill Mitigation	Project Costs (US\$M)	140	115
Country: Russian Federation	Loan/Credit (US\$M)	99	98
Sector(s): Board: EMT - Oil and gas (98%), Other social services (2%)	Cofinancing (US\$M)	25	17
L/C Number: L3872			
	Board Approval (FY)		95
Partners involved : EBRD	Closing Date	03/31/1998	06/30/2002

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2. Project Objectives and Components

a. Objectives

The objectives of the Project are to assist Komineft (the Komi regional oil and gas production association) and the Russian Federation to:

- (i) stabilize the oil in the spill area prior to spring thaw to minimize the amount of oil released during runoff and prevent ecological damage in the Pechora River Basin;
- (ii) continue cleanup in an environmentally appropriate way and minimize, to the extent possible given the limited time available and difficult site conditions, damage to the impacted areas and people;
- (iii) support safe pipeline operations in the near term and evaluate the need for a replacement pipeline investment project for the longer term; and
- (iv) identify and implement other measures to mitigate against future oil spills .

b. Components

The Project components comprised:

- (i) containment of oil spills to minimize additional environmental damage;
- (ii) assistance to affected people (social mitigation);
- (iii) cleanup of the spill and land reclamation;
- (iv) environmental monitoring of the affected area;
- (v) completion of the replacement of the remaining southern and entire middle sections of the pipeline and investment in associated pipeline facilities to enhance safe operations, including completing partially built water separation facilities; integrity assessment and undertaking repair and remediation as required;
- (vi) studies for future oil transport options, including a possible dry oil pipeline, to mitigate against similar spills in the Komineft system; and
- (vii) enhancement of the emergency spill repair, containment and recovery capacity for Komineft .

c. Comments on Project Cost, Financing and Dates

The project was approved on 04/25/95, and closed on 06/30/2002, over four years later than the original closing date of 03/31/1998. The delay was due to several changes in the ownership and management of Komineft, the implementing agency, as well as from seeking financial arrangements for specific project components whose cost estimates were revised.

The Bank's final contribution at US\$98.41 million was only marginally less than the US\$99 million estimated at appraisal. Cofinance from EBRD was US\$17.5 million against the planned US\$25 million mainly because EBRD could extend the loan only by about one year beyond the original closing date .

3. Achievement of Relevant Objectives:

The implementation of the project began well, but the pace of work was soon affected by Komineft's reduced financial resources resulting from a steep fall in international oil prices in 1997 and 1998. Further, Komineft's management and ownership underwent many changes over this period . However, in 1999, Komineft was taken over by the large Russian oil firm Lukoil, whose commitment, and technical and financial support, along with the Bank's flexibility in extending the life of the project, ultimately helped to achieve most of the objectives satisfactorily :

- (i) Stabilizing the oil in the spill area was satisfactorily achieved and a potential environmental disaster was avoided;
- (ii) Cleanup of the spill and land reclamation was much slower than planned initially but was ultimately completed to a large extent;
- (iii) Assistance to affected people (social mitigation) was adequate in terms of containing the oil spill and its direct effects. The relatively small socio-economic rehabilitation and support program as planned at appraisal did not make much headway;
- (iv) Replacement of the remaining defective portions of the southern and middle sections of the pipeline was carried out in a highly satisfactory manner; the crucial water separation and recovery systems were completed after considerable delay. This was followed up by integrity assessment, remediation and repairs and the introduction of an annual maintenance program;
- (v) Operational improvements needed to reduce the risk of further oil spills from the pipeline system including a water separation and recovery systems were completed, though after considerable delay. After the takeover of the implementing agency, Komineft, by Lukoil in 1999, the latter took full responsibility for a "Corporate Program on Rehabilitation of Polluted Territories and Prevention of Oil Spills for 2000-2005" with the endorsement of the Bank, and has kept its implementation on track.

4. Significant Outcomes/Impacts:

- The project's FRR is conservatively estimated to be in excess of the 30 percent estimated at appraisal.
- The existing oil spill was stabilized, with virtually no new oil released into the Kolva river during the spring thaw and subsequent cleanup;
- Of the originally identified contaminated area of 270 hectares, all but 33 hectares of land was reclaimed from the spill; In September 2001, sampling indicated that water in the upper and middle Quarternary aquifers was within the maximum permissible pollution concentrations, while the shallow water -carrying regions are slightly contaminated.
- Defective portions of the southern and middle sections of the pipeline were replaced to the extent of sixty four kilometers, with provisions for annual maintenance.

5. Significant Shortcomings (including non-compliance with safeguard policies):

- There was some discontent among the affected groups who had come to expect from the consultations with the project authorities that cumulative effects of previous activities would also be addressed, though this was not provided for in the project;
- In respect of monitoring, a baseline study prepared in 1995 was not followed up and a subsequent report was delayed till late 2001 due to a financial dispute between the consultant and Komineft.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Satisfactory	Satisfactory	
Institutional Dev .:	Substantial	Substantial	The Bank's efforts at institutional development were supplemented greatly by the involvement of Lukoil after its takeover of Komineft, the implementing agency, in 1999.
Sustainability:	Highly Likely	Highly Likely	The commitment, and technical and financial backing of Lukoil make it very likely that the project outcomes will be sustainable.
Bank Performance:	Satisfactory	Satisfactory	The Bank showed flexibility in extending the life of the project until the water separation plant could be built, which was crucial to secure the outcomes of the project.
Borrower Perf .:	Satisfactory	Satisfactory	The government was pro-active in financing the early start of the oil spill mitigation work.
Quality of ICR:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

- If it is necessary to work with an implementing agency that is a prospective candidate for restructuring or change in ownership, it may be necessary to consider in advance, the legal documentation needed to maintain continuity in the implementing agency's obligations;
- Emergency projects should, to the extent feasible, provide for dealing with the historical context of the problem, that goes beyond the urgent action for mitigating immediate major impacts. In this project, the focus was primarily on mitigating the immediate negative impacts of the recent oil spill, but no provision was made for the

accumulated effects of a long history of previous oil spills, leaving the local communities with a residue of grievances.

- In consulting affected stakeholders on social mitigation projects, care should be taken not to increase expectations beyond the realistic physical and financial scope of the project .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

The ICR covers all important issues, and provides adequate detail and justification for its project ratings, though there could have been some more effort devoted to organizing some of the matter for easier reading and brevity .