

Virunga National Park

and SOCO International Plc

October 2013

Introduction

The UK oil company SOCO International plc, through a subsidiary company, intends to explore for oil in Virunga National Park (Virunga) in the Democratic Republic of Congo (DRC). The company faces increasing scrutiny and criticism from conservation NGOs, UNESCO, the World Heritage Committee and the UK¹ and German² governments owing to Virunga's designation as a World Heritage Site and a Ramsar wetland of international importance. A complaint has been filed by WWF against SOCO International plc for alleged breaches of the OECD Guidelines for Multinational Enterprises.³

Total (which also holds a concession for exploration within Virunga) has agreed not to carry out activity within the current park boundaries. SOCO has so far refused to give a similar commitment despite a request from the World Heritage Committee. SOCO therefore lags behind peers including Shell and the International Council on Mining and Metals who have agreed not to undertake petroleum or mining exploration within World Heritage properties.⁴

In defending its position, SOCO emphasises that: it has the consent of the DRC government, its concession area does not include the habitat of the mountain gorilla; and that its planned activities are restricted to exploration and not extraction thereby reducing significantly the impact on the park.

However, conservation NGOs point to the potential impacts of exploration activities on Virunga's unique biodiversity and possible indirect impacts on endangered mountain gorillas⁵ and to a statement from a DRC government official that successful exploration will likely lead to oil extraction. It is argued that oil extraction within Virunga could lead to significant negative biodiversity impacts and the loss of World Heritage Site status.

This briefing outlines the potential impacts of oil exploration and extraction on Virunga. It also provides information on the ongoing conflict in DRC which has, to date, negatively impacted SOCO's exploration programme. Finally, it suggests some questions for investors to help assess whether SOCO is adequately addressing the present and future risks associated with this project.

Background

In December 2007, the DRC government signed a Production Sharing Agreement granting an oil concession to SOCO, Dominion Petroleum and the DRC's state oil company. SOCO has since purchased Dominion Petroleum's share. Block V is a 7,500 square kilometre area located onshore in the geological southern Albertine Graben of eastern DRC, in the North Kivu region adjacent to the border with Uganda. Block V encompasses an area of the Virunga National Park, a World Heritage Site, and includes part of Lake Edward.⁶

INVESTOR BRIEFING

Virunga is Africa's oldest national park. Established in 1925 it is both a World Heritage Site and a Ramsar wetland of international importance. According to the DRC Ministry of Environment⁷, Virunga 'contains more species of mammals, reptiles and birds than any other protected area in Africa, and possibly in the world'. As a result its protection is a matter of fundamental concern to campaigning conservation groups.

The biodiversity of Virunga

- Over 2,000 plant species have been identified of which 10% are endemic to the Albertine Rift⁸
- 218 mammal species⁹
- 706 bird species¹⁰
- 109 reptile species¹¹
- 78 amphibian species¹²
- the only national park in the world with all of the following great ape species: the mountain gorilla, eastern lowland gorilla and eastern chimpanzee¹³

Opposition to oil exploration in Virunga

In addition to the operational risks associated with oil exploration in a conflict zone, SOCO faces significant reputational risks from its planned activities in Virunga. As well as criticism from NGOs, the UK Foreign and Commonwealth Office (FCO) has also stated its opposition to SOCO's planned exploration programme¹⁴.

Questions for SOCO

Does the official opposition of the UK government to exploration in Virunga have any impact on the support offered by the UK government to SOCO as a UK company operating overseas?

In October 2012, the World Heritage Committee called on SOCO and Total "not to undertake petroleum and mining exploration or exploitation within World Heritage properties"¹⁶. Total gave an undertaking on 17th May 2013 not to carry out activities within the boundaries of Virunga.¹⁷ In June 2013 the World Heritage Committee publicly again called on SOCO to give an undertaking for World Heritage Properties.¹⁸ To date, SOCO has refused to do so.

Exploration in Virunga

In its 2012 Annual Report¹⁹ SOCO states that, other than several 'environmental baseline studies', the only exploration activity planned at this time is 'an aerial survey to be conducted over Lake Edward and the adjacent lowland area.' SOCO makes clear that the helicopter will not touch down in the park, the mountain gorilla habitat is not within the helicopter flight path and that neither flora nor fauna should be impacted as a direct result of this phase of the company's exploration programme.

However, oil exploration activity will expand beyond this preliminary phase in time. The Production Sharing Agreement²⁰ under which SOCO is operating sets out a work programme which includes seismic data acquisition and the drilling of two exploration wells. Accordingly, investors must ensure that SOCO is aware of and adequately addressing any potential impacts from all exploration activities permitted under the Production Sharing Agreement at the outset.

Seismic surveys and exploratory drilling can have localised environmental impacts.

The establishment of base camps will result in clearing land and vegetation, the development of access routes, waste and noise and light pollution. The clearing of vegetation can create access to previously inaccessible locations with the unintended consequence of providing access routes for poachers and rebel groups²¹. Given Virunga's status as Africa's most bio-diverse reserve, the potential impacts could be particularly harmful.

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“The UK opposes oil exploration within Virunga National Park, a World Heritage site listed by UNESCO as being ‘in danger’.”

- Government Statement from the Foreign Secretary¹⁵

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“Protection of the environment remains a business priority.”

Ed Story - SOCO President and Chief Executive Officer. 2012 Annual Report, p.9.

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Questions for SOCO

- What is the time frame for undertaking the activities set out in the Production Sharing Agreement?
- Will the environmental impact assessment being carried out by DRC Okapi Consultancy be publicly available?
- What other impact assessments are being carried out in advance of undertaking such activities? Which of those are being carried out by independent external consultants?
- Will those impact assessments and the terms of reference for external consultants be publicly available?
- How is SOCO involving external stakeholders including NGOs opposed to exploration in Virunga in this process?
- What specific actions does SOCO intend to take to reduce the potential impacts of seismic surveys and the development of exploration infrastructure?

From exploration to extraction

Exploration activity is not an end in itself. Once the existence and potential quantity of oil is determined, the DRC government will likely move forward with its plans partly, or totally, to de-gazette Virunga. This could affect its World Heritage status, remove its national park status and allow full scale exploration and extraction. DRC's Hydrocarbons Minister Crispin Atama Tabe has said of oil exploration: *"We're going to evaluate the quantity of the deposit. If it's very significant we'll compare the value of the park with the oil...we'll see whether we'll respect the park or not. It's up to us."*²²

Permitting oil extraction within Virunga would inevitably mean increased human immigration and activity within its boundaries, exposing endangered species to increased levels of disturbance and poaching. Exploration in Lake Edward (within the Block V Concession) would threaten the lake's abundant fish resources and people's ability to access them. Concerns have been expressed that wildlife outside the concession areas, including the mountain gorillas, will potentially be threatened by the indirect impacts from oil exploration and exploitation in Virunga.²³

Questions for SOCO

Does the company intend to bid for extraction licences in Virunga if they are offered by the DRC government?

Conflict Zone

Although planned for 2012 SOCO has not been in a position to undertake its aerial survey because of rebel activity in Virunga. In 2012 nine militia groups were present in the park. SOCO has stated that it will only proceed when the assessment of the security situation is that it is safe to do so.

The Foreign and Commonwealth Office's official update²⁴ states: *"DRC security forces and illegal armed groups continued to commit human rights violations and abuses against the country's civilian population. The human rights situation in areas such as North and South Kivu deteriorated throughout the year. As well as the conflict, underlying factors include lack of state authority, weak institutions, poor implementation of legislation and impunity from punishment of those guilty of abuses."*

Civil society has expressed concerns that oil exploitation²⁵ could exacerbate the region's civil unrest. As discussed above exploration activities such as the creation of access routes may unwittingly facilitate the movement of rebels across the park.

Concern has also been expressed regarding the perceived economic and social benefits of oil exploitation. Researchers argue that *"historical evidence in oil producing countries shows that rather than reducing poverty and inequality, oil has adverse social and economic effects and in many cases fuels conflicts."*²⁶

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"We are an international oil and gas exploration and production company."

- SOCO
International
plc. 2012 Annual
Report. Inside
cover

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Shell's experience in the Niger Delta also highlights the potential ongoing business disruptions and social issues arising from civil unrest and weak state institutions. Pipeline maintenance and repair can be disrupted by civil unrest leading to oil spills and a lack of adequate clean-up and remediation.

Questions for SOCO

- What is the company's view of the short and medium term security situation and the strength of state institutions in the DRC?
- What are the company's plans for the creation and long-term maintenance of community development projects given the area's history of conflict?
- Does SOCO have previous experience of operating successfully and responsibly in an area prone to conflict?

The future of Virunga

An evaluation report funded by the European Union²⁷ praised the excellent management of Virunga. Unfortunately as noted by the World Heritage Committee the ongoing conflict has made the management of Virunga extremely difficult.²⁸ Since 1994, Virunga has been listed as 'In Danger' by UNESCO.

However the appropriate response to this threat to Virunga is not, as the DRC government and oil companies suggest, sacrificing Virunga's environmental and economic potential for damaging oil exploration and extraction (which equally depends on the eviction of armed groups operating within Virunga).²⁹

Oil exploration and extraction is not the only option available to ensure the park provides socio-economic as well as environmental benefits to the DRC. Rather the focus should be on addressing the armed conflict which contributes to encroachment and poaching and on creating an environment which facilitates the effective management of Virunga and the development of the tourist potential of Virunga. In this way the biodiversity and economic value of the park can be secured.

Conclusion

In its 2012 Annual Report³⁰, SOCO states that *"our business is guided by an overarching principle: to make a net positive contribution through balancing the need for energy security, economic development, social improvement and protection of the environment."* While the company emphasises its contribution to economic development and social improvement in the DRC, it is not clear that this represents an appropriate balance with the threat posed to Africa's most bio-diverse reserve from oil exploration. At a time when extractive companies are undertaking not to explore or extract in World Heritage properties and financiers are excluding such projects from permitted loans³¹, SOCO's planned exploration in Virunga seems a regressive step for a company committed to the protection of the environment.

Given Virunga's significance, SOCO is under intense scrutiny. Any negative impacts on Virunga as a result of the company's activities will result in significant criticism from civil society.

WWF argues that in light of the operational risks, intense civil society scrutiny and the potential environmental impacts, the company should not proceed with its planned exploration in Virunga.

End notes

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The opinions expressed in this publication are based on the documents specified in the end notes. We encourage readers to read those documents. Online links accessed 1st October 2013.

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