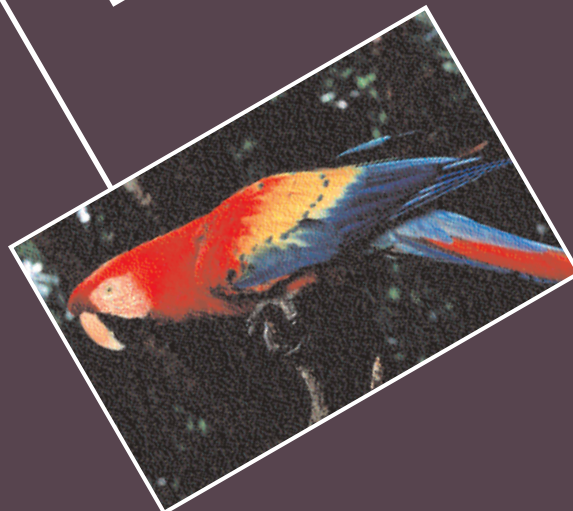


AMEC
COUNTER
REPORT 2002



CONTENTS

- 1 Directors' statements
- 2 AMEC's global operations
- 4 The Baku - Tbilisi - Ceyhan pipeline controversy
- 6 Worldwide projects
- 8 Financial review
- 10 The AMEC board
- 11 Affected communities
- 12 Endnotes
- 13 Open letter and glossary of terms

This report is written and produced by Friends of the Earth, England Wales and Northern Ireland and the Baku Ceyhan Campaign. It is intended to complement and provide an alternative to AMEC's own two 2002 reports: the Annual Report and Accounts and the Sustainability Report - Moving Forward.

AMEC IS A MULTINATIONAL CONSTRUCTION COMPANY THAT, DESPITE PRODUCING A SUSTAINABILITY REPORT AND POLICIES, CONTINUES TO BE INVOLVED IN A SERIES OF CONTROVERSIAL AND DESTRUCTIVE PROJECTS THAT THREATEN ITS REPUTATION. THE COMPANY IS SUBJECT TO CAMPAIGNS AT LOCAL, NATIONAL AND INTERNATIONAL LEVELS, BECAUSE OF ITS ACTIVITIES IN THE UK, NORTH AMERICA, SOUTH AMERICA AND AFRICA. THIS REPORT RAISES SERIOUS QUESTIONS ABOUT AMEC'S COMMITMENT TO SUSTAINABILITY.

VISIT WWW.FOE.CO.UK AND WWW.BAKU.ORG.UK

Whilst we welcome the company's Sustainability Report, the sheer number of controversial projects to which AMEC is linked force us to question whether the company is really moving towards a sustainable future. In this report you will find information on some of the most controversial construction projects in the world today. A controversial pipeline that will transport a million barrels of oil a day, a dam being built in one of the most biologically important rainforest areas in Central America, new roads and expanded airports opposed by locals and encouraging unsustainable travel and a proposed diamond mine where the affected community is already criticising the companies involved. AMEC's name is linked to them all.

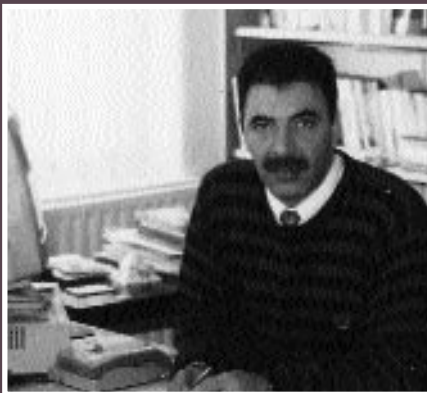


Building on the success of our campaign against the Yusufeli Dam in Turkey, Friends of the Earth and the Baku Ceyhan Campaign are calling on AMEC to pull out of the Baku Ceyhan pipeline unless social and environmental concerns are adequately addressed. We believe that, if the company was to take its sustainability policy seriously, this would be the only option.

But withdrawing from one or two projects will not turn AMEC into a sustainable company. This is why Friends of the Earth and others are calling for new national and international laws to enable local communities to hold companies legally accountable for the impacts they have, and to ensure that there are proper duties on companies and their directors to ensure that companies operate in a sustainable way.

Tony Juniper

Executive Director, Friends of the Earth England Wales and Northern Ireland



The Baku Ceyhan Campaign is pleased to present this report on AMEC, a key player in the Baku-T'blisi-Ceyhan pipeline. The report includes information on AMEC not covered by the company's own two reports and presents a different perspective on some of the information given by AMEC.

Opposition to the pipeline and the way the project has been taken forward is based on many different perspectives and concerns. Different organisations are concerned about the human rights implications, for example for Kurdish communities in Turkey; the environmental implications, for example for the Borjomi-Kharagauli National Park in Georgia; the financial returns; the implications for the global climate of unlocking more carbon; the lack of freedom of speech making local opposition virtually impossible (particularly in Azerbaijan and parts of Turkey).

In Britain these organisations have come together to demand that public money is not used to finance this project unless social and environmental concerns are adequately addressed. We will continue to join with and support the communities that will be affected by the pipeline until their voices are heard.

Kerim Yildiz

Director, The Baku Ceyhan Campaign



© AMEC plc

- CENTRAL ASIA
- NORTH AMERICA
- EUROPE
- SOUTH AMERICA
- AFRICA

BTC PIPELINE

165...

million tonnes of CO2 per year,
contract value:

\$292 MILLION

- ▶ CLIMATE CHANGE
- ▶ FINANCIALLY VULNERABLE
- ▶ LOCAL COMMUNITIES KEPT IN THE DARK
- ▶ ENVIRONMENTALLY DESTRUCTIVE
- ▶ POLITICALLY VOLATILE LOCATION
- ▶ LITTLE BENEFIT TO LOCAL COMMUNITIES

VICTOR PROJECT

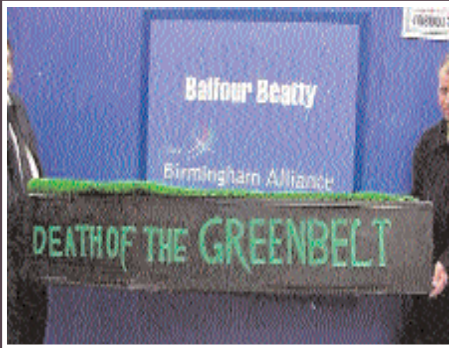
16...

areas containing diamonds discovered,
contract value:

CDN \$2 MILLION

- ▶ DIAMOND MINE PROPOSED BY DE BEERS CANADA
- ▶ AMEC PRODUCING EIA REPORT
- ▶ INADEQUATE CONSULTATION
- ▶ INDIGENOUS COMMUNITY DISSATISFIED

AMEC'S INVOLVEMENT WITH CONTROVERSIAL CONSTRUCTION AND CONSULTANCY PROJECTS ACROSS FIVE CONTINENTS JEOPARDISES SHAREHOLDER PROFITS AND COMPANY REPUTATION.



© Probe International



BNRR (M6 BYPASS)

2...

SSIs damaged,
contract value to CAMBBA:

£485.5 MILLION

- ▶ 27 MILE PRIVATE TOLLED MOTORWAY
- ▶ STRONGLY OPPOSED BY RESIDENTS
- ▶ DAMAGING SSSIS AND GREEN BELT LAND
- ▶ CONGESTION BENEFITS UNCERTAIN
- ▶ FINANCIALLY UNCERTAIN
- ▶ CURRENTLY UNDER CONSTRUCTION

CHALLILO HYDRO PROJECT

150...

Scarlet macaws left in Belize;
value of Sinohydro contract:

\$22.15 MILLION

- ▶ AMEC PRODUCED EIA REPORT
- ▶ REPORT CONTESTED BY NGOS AND SCIENTIFIC BODIES
- ▶ FLAWED/ INCOMPLETE INFORMATION PROVIDED
- ▶ DAM CURRENTLY UNDER CONSTRUCTION
- ▶ AMEC "STANDS BY" REPORT
- ▶ AMEC'S CURRENT AND FUTURE INVOLVEMENT QUESTIONED

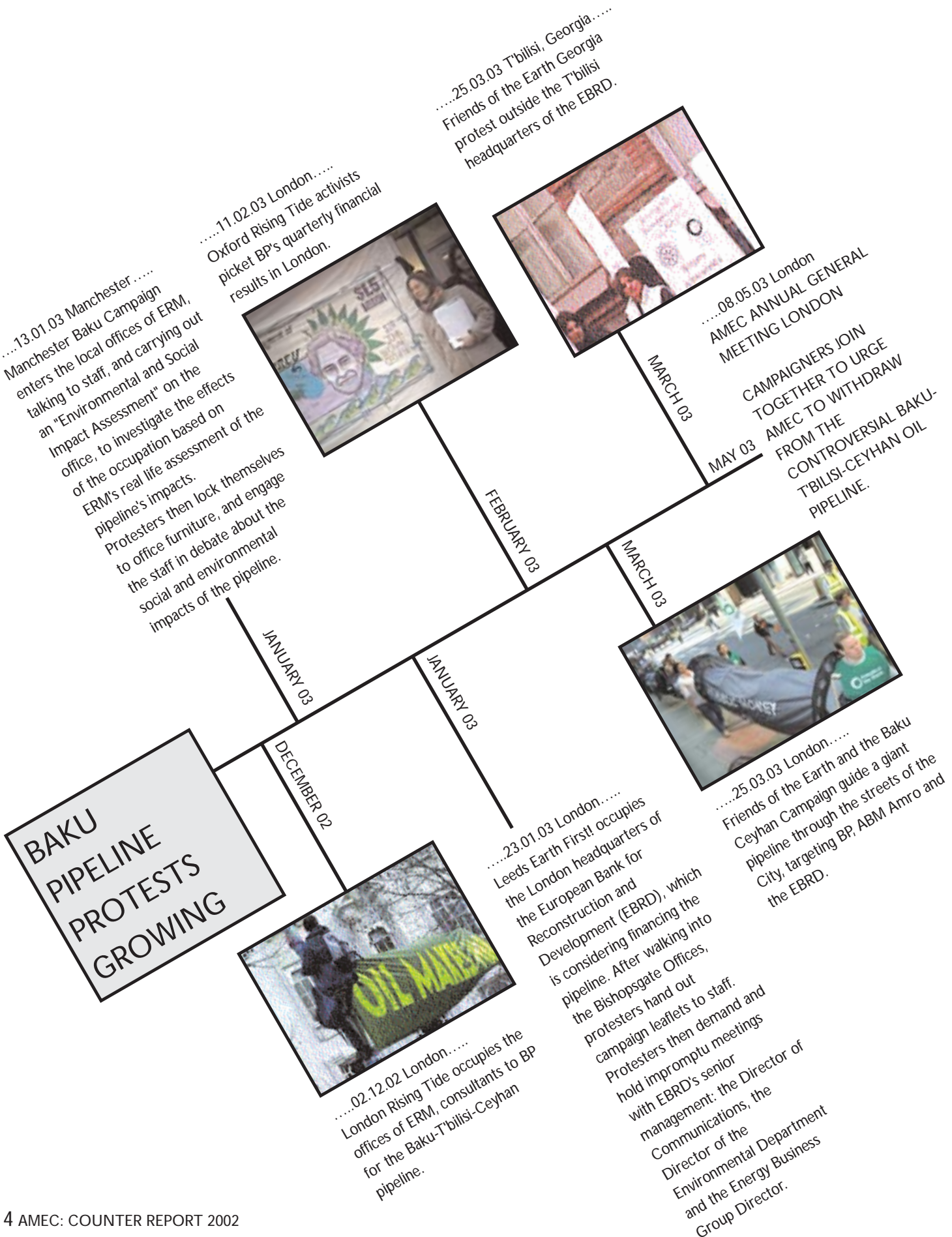
LESOTHO HIGHLANDS WATER PROJECT

27,000...

people affected by the project;
Sole convicted of receiving from SPIE:

\$119,000

- ▶ HYDRO PROJECT DATING FROM 1980S
- ▶ ONGOING BRIBERY AND CORRUPTION CASE
- ▶ SPIE NAMED ON CHARGE SHEET
- ▶ NAME-CHANGE AND BUY-OUT BY AMEC CAUSE CONFUSION
- ▶ AMEC DENIES 'LEGAL ASSOCIATION' WITH CASE



RECENT EVENTS

June 2002

- ▶ **Head of the Lesotho Highlands Water Project, Mr. Sole, sentenced to 18 years in jail for receiving bribes from several multinational companies. SPIE listed as having paid approximately \$119,000 to Sole.**

February 2003

- ▶ **AMEC finalised its takeover of SPIE, drastically increasing the number of controversial projects with which the company is involved.**

April 2003

- ▶ **Sinohydro Corporation announces that it has signed a contract, negotiated with AMEC, to build the Chalillo Dam.**

May 2003

- ▶ **Construction (already delayed) scheduled to begin on the Georgian section of the controversial Baku-Tbilisi-Ceyhan oil pipeline.**

DID YOU KNOW?

Every year the BTC pipeline will transport the oil equivalent of nearly 30% of the UK's yearly carbon dioxide output.

A BP-led consortium needs to find an estimated \$3.3 billion to build the pipeline. BP has said that the project cannot go ahead without "free public money" and is seeking loans from the World Bank, the EBRD and export credit agencies.

The \$320 million contract for construction of the Georgian section of the BTC pipeline is the largest contract in the project.

FOCUS ON OIL AND GAS

In its own report, AMEC states "*major markets in oil and gas... offer significant potential for growth*".¹ This is in conflict with the inclusion of "annual energy consumption" as an indicator of the company's progress towards sustainability². A goal of reducing energy consumption in AMEC offices is not to be knocked, but AMEC's involvement with the oil and gas industry is in danger of making any in-house savings look like rearranging deckchairs on the Titanic.

CASE STUDY - THE BAKU T'BLISI CEYHAN (BTC) PIPELINE

British oil giant BP is the lead company in a consortium planning to build a 1,750 kilometre oil pipeline, the Baku-Tbilisi-Ceyhan (BTC) pipeline, from the Caspian Sea to the Mediterranean. It will carry a million barrels of oil a day to US and European markets. The pipeline is estimated to cost US\$3.3 billion.

AMEC is "very much involved"³ in this project with contracts, which include work on the Azeri, Chirag and Gunashli (ACG) oil and gas field development and construction of the Georgian section of the pipe, potentially totalling \$292 million. Both the project overall and the Georgian section of the pipeline are hugely controversial. AMEC's crucial role in constructing the Georgian section cannot be seen in isolation from the rest of the project.

- ▶ **Threat to local environment.** AMEC would be building the most controversially routed section of the pipeline, through the Borjomi-Kharagauli National Park. This has been the subject of widespread protests in Georgia. On top of the environmental impact, the National Park is an important cultural monument, and also contains the springs which produce Borjomi Mineral Water - Georgia's largest export. The springs would be devastated if there were a spill and, as the brand trades on purity and health-giving properties, there will be significant economic damage from the perception of a nearby oil pipeline. Georgia's Environment Minister protested that the pipeline builders "*are requesting the Georgian Government to violate our own environmental legislation*"⁴ by routing through the National Park.
- ▶ **Piping hot climate change.** When the oil transported by the pipeline is used it will release 160 million tonnes of climate-changing carbon dioxide into the atmosphere each year. This is more than twice the amount the UK has already promised to cut in international agreements.
- ▶ **Local communities kept in the dark.** The pipeline would affect hundreds of communities and local consultation and compensation measures fall woefully short of the consortium's claims. Less than half of the villages on the Georgian pipeline route surveyed by a fact-finding mission of international NGOs had been consulted about the pipeline plans, or even given any information about it. All are within the 2 km corridor where BP has committed to consult all communities.⁵ Furthermore, although communities along the Baku-Ceyhan pipeline are in desperate need of energy supplies, the project will not provide any oil to them, and is unlikely to provide any benefits at all.
- ▶ **Corporate Takeover.** BP has signed agreements with the governments of Azerbaijan, Georgia and Turkey which allow it to operate outside almost all national laws in order to protect its profits. The pipeline will effectively be outside any democratic jurisdiction for the whole of the project's lifetime. Commenting on the implications for Georgia, the Tbilisi-based NGO Green Alternatives said: "*The requirement to compensate the consortium for any disruption caused to the 'economic equilibrium' of the project by new social and environmental laws severely curtails the development possibilities for our country.*"
- ▶ **Conflict and human rights.** The pipeline would pass through or near seven different areas of civil unrest. This means military forces may patrol sections of the pipeline, further inflaming tensions within three countries known for their poor human rights records. Georgia has made major moves towards militarization of the pipeline.⁶

WORLD WIDE PROJECTS



Borjomi mineral water bottling factory

Greg Muttitt/Bank Information Center



Villagers in Akhali Samgori, Georgia

Yury Urbansky/CEE Bankwatch

CASE STUDY - BIRMINGHAM NORTHERN RELIEF ROAD

AMEC is involved in massive environmental destruction in the Midlands as part of the CAMBBA consortium, which is pressing ahead with building the Birmingham Northern Relief Road (BNRR) or M6 Toll, set to be Britain's first toll motorway. This is one of 12 West Midlands private finance initiative (PFI) deals. These schemes mean every year over £320 million of taxpayers' money goes to private companies in the Midlands region. Over the next 50 years CAMBBA expects to receive more than £2 billion from people using the BNRR toll motorway.⁷

The motorway is destroying 27 miles of the West Midlands green belt and damaging two important Sites of Special Scientific Interest (SSSIs) at Chasewater Heath and Blythe Valley. It will cut a huge swathe through the green belt and bring even more development pressure from warehousing companies, property developers and house builders looking for green sites to build on. Highways Agency studies show it would not relieve congestion on the M6.

CAMBBA, the consortium of construction companies including AMEC, is building the BNRR to a fixed price contract - at a far, far lower price than was originally proposed. The scheme is also financially uncertain: if tolls are set high enough to pay costs they could discourage use.

Local residents and other concerned people across the UK did not want this destructive road. Together they formed the Alliance against the BNRR, a campaign that lasted for over 10 years with many ups and downs. But despite attending public inquiries, organising rallies and winning high court actions, the road is now under construction.⁸

CASE STUDY - AIRPORT EXPANSION AND BAA

AMEC has a close relationship with controversial airports operator British Airports Authority (BAA) and was awarded a "ten-year non-exclusive framework agreement for work on major infrastructure projects at its seven UK airports" with a potential maximum value of £800 million.

BAA believes that "aviation has a vital role in facilitating a range of sustainability objectives for the UK"⁹. But air travel has huge local to global impacts and, globally, is the fastest growing source of man made climate change. The most respected study on the issue¹⁰ shows that continued growth will leave the air travel sector responsible for up to 15% of all climate change emissions. AMEC is taking steps to reduce its energy consumption in order to "minimise contributions to global warming"¹¹ What the company fails to mention, however, is that one passenger's journey by air from the UK to the US produces as much carbon dioxide as the average UK motorist produces in a year. Is AMEC missing the point?

Heathrow Terminal 5, which AMEC is currently working on with BAA, is not the first controversial airport expansion with which the company has been involved in the UK. An AMEC-Tarmac consortium also built Manchester's second runway despite fierce local opposition.

CASE STUDY - THE CHALILLO DAM

The Chalillo dam is planned for the heart of the Macal River Valley in Belize, one of the last undisturbed rainforest valleys in Central America, inhabited by the Maya thousands of years ago and a precious wildlife habitat today.

The US\$30 million project is backed by Canadian power company, Fortis Inc which owns Belize's electric utility and can therefore pass the dam's high costs on to its captive ratepayers who already pay several times more for electricity than neighbouring countries.

The project has been stalled for the last two years due to lawsuits brought by Belizean conservation groups (collectively known as BACONGO). Last month, the Supreme Court of Belize failed to overturn the government's approval of the dam. BACONGO is preparing an appeal to the Privy Council in London, the final court of appeal for Belize.

Upon release of AMEC's EIA, BACONGO and a roster of independent experts found it was based on faulty and incomplete geotechnical, environmental, and archaeological assessments. As part of its report, AMEC hired scientists from the Natural History Museum of London to assess the dam's impact on wildlife, but when the scientists concluded that further studies were needed before a final decision could be made, AMEC buried their recommendations in an annex.



The scarlet macaw - fewer than 150 remain in Belize.

Copyright Probe International

Colonel Alastair Rogers, co-author of the Natural History Museum section, says the dam would have a devastating effect on wildlife, especially the scarlet macaw, fewer than 150 of which remain in Belize. Other experts warn that AMEC has downplayed another significant risk: the 44-metre high dam may not hold water because the reservoir area contains porous limestone.

Environmental groups world-wide are calling on AMEC to recall its flawed report, which was paid for by the Canadian government's foreign aid arm, the Canadian International Development Agency.¹² Despite AMEC's statement in its 2002 sustainability report that, beyond putting together the environmental impact assessment (EIA) report¹³ it has no further involvement in the Chalillo Dam, there are concerns that AMEC has signed an agreement with a Chinese dam construction company concerning the dam¹⁴. If AMEC is now benefiting from further involvement in the project, this would raise more questions about the validity and objectivity of the EIA as the company would be benefiting from the project going ahead.

This section was written by Grainne Ryder of Probe International

CASE STUDY - VICTOR DIAMOND MINE PROJECT, NORTHERN ONTARIO

AMEC is currently producing a pre-feasibility report for the proposed De Beers diamond mine project 90km west of the Attawapiskat township, Northern Ontario, Canada. The report includes a Traditional Ecological Knowledge (TEK) survey produced in conjunction with representatives of the Attawapiskat First Nation (AttFN). AttFN have said "*Although this sounds good, it actually diverts the real issue*". Members of the AttFN are concerned by AMEC's heavy-handed research methods and lack of genuine engagement with their culture.

AttFN members claim that an AMEC/ De Beers Harvesting Study for Compensation resulted in the compensation of only one family, and that indigenous women's contribution to community prosperity was entirely overlooked. AttFN Elders complain that they have little autonomy within the TEK survey: research questions have to be approved by De Beers, while translations of key documents are provided, if at all, at the last minute. The Prospectus Study conclusion that there is no potential for the development of acid mine drainage is supported by data too complex for the AttFN Working Group to understand.

AttFN have also criticised community meetings conducted by De Beers, at which AMEC representatives were present, as they claim that there was no space for independent information of the impacts of mining on Attawapiskat land, and that this compromises the free and informed prior consent of the AttFN people. Given these breakdowns in the consultation process, AMEC's assertion that the study is based on '*recognition of the indigenous rights of the AttFN to ownership of TEK*' looks increasingly shaky.

Thanks to Jackie Hookimaw Witt (Attawapiskat Band member) for contributions to this section

CASE STUDY - THE A650 BINGLEY RELIEF ROAD

AMEC is the contractor building the Bingley Relief Road in Yorkshire. This project is being undertaken without an Environmental Impact Assessment. AMEC was forced to stop dumping soil on a meadow in the North Bog without permission after Bradford Council intervened.

In its sustainability report, AMEC cites the Bingley Relief road as a case study of successful community involvement. Yet community representatives say that community contact has mostly taken the form of one sided information provided by AMEC. There have been a handful of events at which people could ask questions and raise concerns - but no mechanisms for their opinions to make a difference or contribute to planning, and so these events have had no effect. Bradford Council has consulted the community about plans for the next stage of the road scheme. People were asked to vote on a series of options. Over half voted for the option of not building a new road but instead improving existing roads and the public transport system.

The Bingley Relief Road is going ahead despite opposition from local communities and is currently scheduled to open in September 2003. AMEC plans a big celebratory day to open the event. But local opposition groups are organising a counter event to protest about the road the week before.¹⁵

Thanks to David Ford (Bradford Green Party Councillor) for contributions to this section.

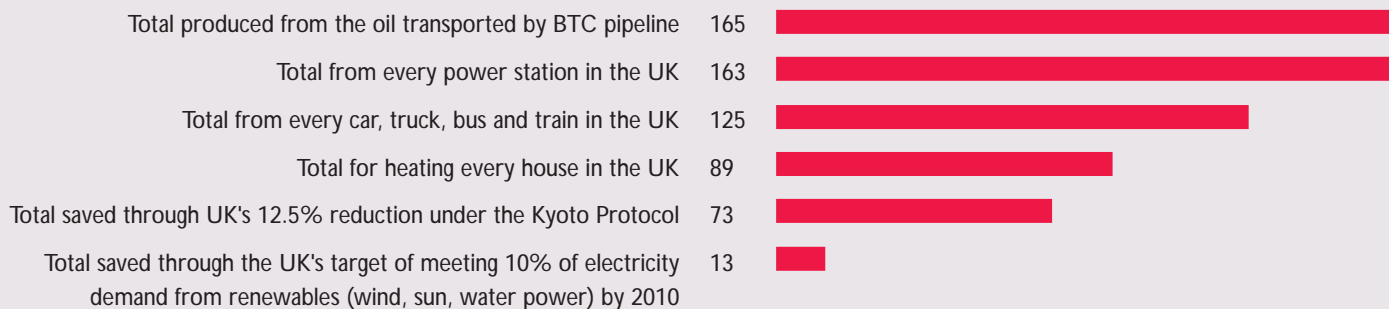


AMEC is already coming under criticism for its approach to the local community in work undertaken for the Victor Mine, Canada

Used with permission from AMEC, copyright AMEC plc

CLIMATE CHANGE AND THE BTC PIPELINE

Carbon Dioxide produced (million tonnes/year)



BTC - IS AMEC EXPOSED AND VULNERABLE?

In Georgia, AMEC has begun pre-construction preparation for the BTC pipeline, including preparation of construction camps, delivery of the pipeline and marking out the pipeline's route. Construction has been delayed by a late snow, but is currently scheduled to begin during the first week in May 2003. As financing of the project is now not expected to be finalised until at least September 2003, this leaves AMEC in a potentially vulnerable financial situation over a controversial project.

BTC FINANCING

The BTC Co consortium intends to finance the project on a 70-30 debt-equity basis. The 30% equity will come from the consortium members, in proportion to their shares in the project. The 70% debt will come from a combination of multilateral development banks, export credit agencies and commercial banks.

The leaders in the debt package are thought to be the International Finance Corporation (IFC, part of the World Bank) and the European Bank of Reconstruction & Development (EBRD), which are each expected to be approached for \$300 million (\$150m of their own money, and \$150m syndicated to the commercial markets). Interest has also been expressed by MIGA (also part of the World Bank) and export credit agencies - no indication has yet been given of what amounts these might offer. Commercial banks are unlikely to enter into any commitment until the international financial institutions (especially IFC) have signed up.

CURRENT STATE OF PLAY

BTC Co had originally planned to achieve financial close by the end of first quarter 2003. However, in December 2002, BP was forced to announce that this would be delayed until the end of the third quarter¹⁶. It was later reported that the IFIs were still examining costs, technical challenges and environmental and security concerns, while EBRD announced in January 2003 that it was *"still evaluating the project*

*on a number of grounds, including environmental and social, as well as financial and economic"*¹⁷.

The procedure for the IFC financing is that once IFC formally accepts BTC's application, the project enters a 'disclosure phase' of 120 days, during which project documents are made available to the public. Only after the close of that 120 days will the IFC's Board of Directors consider whether to offer finance, and if so on what terms. This disclosure period has not yet begun. As a result, the earliest BTC could achieve financial close is early September.

The consortium, however, was very keen not to delay the construction, which is going ahead paid for out of the consortium members' equity shares, amounting to about \$1 billion. BP announced in January 2003 that the consortium had already committed to \$2.2 billion of expenditure, and that it was spending on average \$4 million a day¹⁸. At this rate, the \$1 billion of equity would be exhausted within 250 days, in August / September. BP has declared elsewhere that the equity will last until the end of 2003¹⁹, but even this would leave little room for manoeuvre.

This leaves BP and its partners very exposed. Should the decision be delayed again, the consortium would have to either (a) up the stakes, putting in yet more of its own money with still no guaranteed external money - a move which the companies' shareholders would be likely to oppose; or (b) begin to demobilise contractors on the construction, thus incurring penalty payments to the contractors, further costs due to delay, and possibly having to re-tender. This raises serious questions for AMEC, which has planned to be involved in this project for two or more years.

FACTORS AFFECTING IFC DECISION

The IFC in particular has made much of how its involvement in the project can influence it for the better, forcing BTC to meet certain development, environmental and human rights criteria. The IFC and other MDBs and ECAs, as publicly owned institutions, are accountable to the public in a way that commercial banks are not. As a result, their

AMEC's CASPIAN CONTRACTS

	Value to the consortium \$million	Value to AMEC \$ million
Azeri, Chirag and Gunashli (ACG) oil and gas field development	17	17
ACG topside facility	200	50
Georgian oil pipeline construction	320	160
Georgian gas pipeline construction (option only)	130	65
Total	667	292

decisions are guided by principles and standards to ensure that lending is in the public interest, especially that they support economic and social development in the target countries.

Major divergences between the implementation of BTC and these guidelines have been revealed by NGOs scrutinising the project. Until these are rectified, the IFC and others could have difficulty supporting the project, as that could risk their own reputations - especially given that NGOs have pledged to monitor the pipeline over the long term. Already, these problems have led to a delay in financing for BTC. In addition, with the project being half built by the time IFC financing is considered, opportunities for influence are obviously limited, and the IFC must now ask what it is bringing to the project.

More fundamentally, the World Bank Group is itself currently reviewing its financing of oil and gas projects, with serious questions about whether they generally have a positive impact on development. The IFC and World Bank will be especially sensitive following their involvement in the controversial Chad-Cameroon oil pipeline. The World Bank was heavily criticised by NGOs, and even internal reviews²⁰, for supporting the project while it undermined development and democracy within the countries, and caused major environmental damage.

QUESTIONS FOR AMEC

These factors could mean further delays with securing financing for the project, meaning AMEC could find itself in an awkward situation. It could be financially vulnerable if its planned activities are delayed or even cancelled as a result of delays in securing financing. In addition, if AMEC it is seen to be pushing ahead with a project that doesn't meet the standards of international financial institutions, there will be a potential reputation risk.

LESOTHO HIGHLANDS WATER PROJECT

CHARGE SHEET OF BRIBES ALLEGEDLY PAID TO SOLE Company Amount cited on Sole's charge sheet²⁵

ABB	\$40,410
Impregilo	\$250,000
Sogreah	\$13,578
Lahmeyer International	\$8,674
Acres International	\$185,002
Spie Batignolles	\$119,393
Dumez International	\$82,422
ED Zublin	\$444,466
Diwi Consulting	\$2,439

CASE STUDY - BRIBERY, CONFUSION AND THE LHWP

The Lesotho Highlands Water Project (LHWP) is a controversial series of large dams. It directly affected approximately 27,000 people and displaced hundreds of subsistence farming households, many of which have never been properly compensated.

The LHWP is the subject of ongoing prosecutions for bribery. In June 2002 Marsupa Sole, the former chief executive of the LHWP, was sentenced to 18 years in prison for receiving bribes from multinational companies including Acres, SPIE Batignolles and Balfour Beatty. In the final judgement of the Sole case, SPIE was named as having "corruptly offered payments" of the equivalent of approximately \$119,000 to Sole. Count 3 of Sole's charge sheet, incorporated into the judgement (for which a guilty verdict was delivered) states:

*"SPIE Batignolles corruptly offered payment(s) to the Accused in return for the Accused exercising his influence/powers in his official capacity for the benefit of SPIE Batignolles, to wit in return for the Accused using his opportunities or powers as Chief Executive of the LHDA to further the private interests of SPIE Batignolles in its involvement in the LHWP, which offer the Accused unlawfully, intentionally and corruptly accepted."*²¹

SPIE's trial has been adjourned until 15 October 2003. SPIE will be the second multinational company from the charge sheet to be prosecuted. In September 2002, in a landmark decision, the High Court in Lesotho convicted Canadian company Acres International of paying \$266,000 of bribes to Sole. Acres was later fined £1.6m and plans to appeal.

AMEC/SPIE states that *"it has no legal association with the Lesotho case and has moved for release of incorrectly laid charges"*²². There is confusion, however, over who does have responsibility for the case - AMEC has reportedly stated that the part of SPIE involved in LHWP has remained with the company's previous owners, Schneider. But Schneider disputes this claim.²³

If SPIE is found guilty, as well as facing potentially heavy fines, it could be disbarred from World Bank contracts.²⁴

THE AMEC BOARD



Sir Peter Mason, Chief Executive of AMEC

Used with permission from AMEC, copyright AMEC plc

AMEC BOARD INTERESTS

Sir Peter Mason KBE (AMEC Chief Executive) was previously chairman and chief executive of construction giant Balfour Beatty Limited, where Stuart Siddall (AMEC Finance Director) sat as finance director.

Sydney Gillibrand CBE (AMEC Chairman) is a former vice-chairman of arms manufacturer BAE Systems plc, where Peter Mason is currently senior independent director. Until 2001, Peter Mason was a member of the advisory council of the Export Credits Guarantee Department (ECGD), the UK's official credit export agency.

Liz Airey (AMEC Non-Executive Director) currently chairs the same ECGD council. Peter Mason is also a board member of British Trade International, a joint Foreign Office/ DTI venture for trade development and promotion.

QUESTIONS FOR THE BOARD

At the 2003 Annual General Meeting, representatives of Friends of the Earth, the Baku Ceyhan Campaign, other NGOs and other individuals will be putting these and other questions to the board of directors:

- ▶ If either or both of IFC and EBRD refuse to finance the Baku T'blisi Ceyhan (BTC) pipeline, in what way will AMEC be affected? Has the company put in place contingency plans in case there is delay or failure of BP to secure full financing for the project?
- ▶ Can AMEC explain how its involvement in the BTC pipeline and other oil projects is consistent with attempts elsewhere in the company to reduce carbon dioxide emissions?
- ▶ What is the time span of AMEC's liabilities in relation to the BTC pipeline?
- ▶ Will AMEC be applying for an export credit guarantee for the BTC pipeline project from the ECGD?
- ▶ If, as AMEC states in its Sustainability Report, SPIE "has no legal association with the Lesotho case", could AMEC clarify which company, person or group of people are now legally responsible for the case?
- ▶ What is AMEC's current role in the Chalillo Dam in Belize? Does the company have a supervisory role over Sinohydro Corporation, the company building the dam? What is the value to AMEC of the contract signed with Sinhydro? Is this in conflict with the statement that "the company has no further involvement in the proposed project"?
- ▶ When consulting with an indigenous community such as the Attawapiskat First Nation, what measures are in place to ensure representatives understand the often highly technical data presented to them by AMEC? How does AMEC respond to the suggestion that the local community feels its own knowledge and expertise are sidelined in the TEK surveys? Does AMEC invariably ensure that key documents are translated and presented to Working Group members in adequate time to ensure all participants are fully informed at meetings?

AT AMEC'S AGM SHAREHOLDERS WILL BE ASKING MANY QUESTIONS ABOUT THE COMPANY'S INVOLVEMENT IN CONTROVERSIAL PROJECTS

AFFECTED COMMUNITIES

*Because of the power of the state and fear of reprisals by state security forces these people have expressed a desire to remain anonymous.



Gia Gachechiladze

One of the serious problems is that the pipelines will cross rivers. This will result in fish migration, and if the oil leaks, can you imagine what a huge threat we are going to face?²⁶

Gia Gachechiladze is the leader of the Georgian Green Party

Nino Chkhobadze writing to BP

Unfortunately, not all risks were carefully assessed by BP, particularly in this [Borjomi] region, during the Environmental and Social Impact Assessment process ... while all experts have shown it is hazardous to construct the pipeline in the Borjomi Valley. *Nino Chkhobadze is the Georgian Environment Minister*

Manana Kochladze

The long-term benefits of oil and gas development in the Caspian region are questionable. The use of public money cannot be justified unless the project is able to demonstrate positive local and regional impacts over the lifetime of the pipeline. *Manana Kochladze is from Green Alternatives, an environmental NGO in Georgia*

Lawyer in T'bilisi*

Our top priority in Georgia is to build a democracy. First, build a democracy, then other things can follow. But they want to build a pipeline. They buy people, they buy lawyers, and this undermines the possibility of us achieving democracy. Like this, we will get nowhere. *A young lawyer from T'bilisi speaking about the BTC pipeline in Georgia*

Cattle Herder in Azerbaijan*

We heard 3 months ago that land here had been bought for the pipeline but we know nothing, who should we go to if there is environmental damage from the pipeline or if the compensation is unfair? *The process of consulting and informing local people has been sadly lacking*

Small farmer in north east Turkey*

Botas [the Turkish state gas company] has already built one pipeline here. Where they dug the trench their machines destroyed most of our hay harvest. We didn't receive any compensation. *In Turkey, people already have negative experience of one oil pipeline*



Karen Leach

They ignored the voice of local people and pushed ahead with this destructive road that we don't want or need. They claim to be environmentally and socially responsible, but we've seen what this actually means in practice - business as usual. *Birmingham resident and campaigner on AMEC and the rest of the CAMBBA consortium that built the BNRR*

Jeff Gazzard, MAEN

We all know what life's like both before and since the opening of the 2nd Runway last year - more noise, more pollution, more complaints, more stress and a daily degradation of our quality of life. *Manchester Airport's second runway was built by an AMEC joint venture. Residents are now facing the prospect of a third runway.*

Daniel Sosa, community leader,

Cristo Rey village, downstream of the proposed Chalillo dam... Of course I want electricity but do I want Chalillo? No. We can live without electricity, in fact we have done so for a long time, but we cannot live without this water. *Speaking about worries that the Macal river, on which the Chalillo Dam would be built, could be contaminated.*

Bokong villager, Mohapi Makoetlane

We the people of Bokong do not want this dam. This dam has brought no socio-economic developments to this area as promised. The construction of the dam has made us even poorer because it has taken our land and other precious assets which ensured our stable livelihoods. *Speaking about the Katse Dam, part of the controversial LHWP.*²⁷

Photo: Villagers affected by the Katse Dam
Credit: Lori Pottinger, IRN

Mr Acting Justice B.P.Cullinan

Spie Batignolles corruptly offered payment(s) to [Sole] ... to further the private interests of Spie Batignolles in its involvement in the LHWP, which offer [Sole] unlawfully, intentionally and corruptly accepted. *In his Judgement Cullinham found Sole guilty of receiving bribes in relation to the LHWP*²⁸

Jackie Hookimaw Witt, Attawapiskat Band member

We have been hit by many environmental disasters already. We don't need another 'environmental firm' that just hides the real issues from us, puts through their agenda, and then lets us deal with the following disasters ourselves. *The local community near the Victor mine is not impressed with AMEC's community engagement.*

ENDNOTES

1. AMEC Plc Annual Report and Accounts 2002
2. AMEC Plc Sustainability Report - Moving Forward 2002
3. Peter Mason speaking at AMEC's Extraordinary General Meeting 5 February 2003
4. Nino Chkhobadze (Georgia Environment Minister), letter to Lord Browne (CEO, BP), 26/11/02
5. Green Alternative, National Ecological Centre of Ukraine, CEE Bankwatch Network, Campagna per la Riforma della Banca Mondiale, Platform, Friends of the Earth US, Bank Information Center, Ilisu Dam Campaign, The Corner House, Kurdish Human Rights Project, International Fact Finding Mission Preliminary Report - Azerbaijan, Georgia, Turkey Pipelines project, Georgia Section, July 2002

Of the 20 villages the Fact Finding Mission visited: six were consulted to a reasonable degree, two were partially or inadequately consulted, one just had leaflets delivered by an unknown third party, eleven did not receive any information at all about the pipelines project from the companies, so the main source of information about the project for local people was the national media.

Of these last eleven, five villages were not formally visited by the company at all at any point. Three had visits from the companies only to recruit construction staff, and three had visits only to survey land. People living on the route were not aware of the planned start-date for AGT construction work: even those who had signed up for possible employment had not been told when that work might begin. Communities had only a rough idea about the AGT corridor route. Some landowners whose land the pipelines would cross had not yet been informed (or approached at all) by the companies. In many cases, people were very ill-informed about what the project would involve and what the risks and impacts might be, or even whether the pipeline would be above or below ground.

6. Some Common Concerns, Imagining BP's Azerbaijan-Georgia-Turkey Pipelines System. Published by: Campagna per la Riforma della Banca Mondiale, CEE Bankwatch Network, The Corner House, Friends of the Earth International, The Kurdish Human Rights Project and PLATFORM. Written and researched by: Greg Muttitt and James Marriott of PLATFORM. 2002

7. Friends of the Earth, Big Business in the Midlands, January 2003. Available at www.foe.co.uk/resource/reports/big_business_midlands.pdf

8. For more information see www.beep.dial.pipex.com/bnrr/index.htm

9. BAA website www.baa.co.uk/main/corporate/sustainable_development_frame.html September 2002

10. Intergovernmental Panel on Climate Change, 1999

11. AMEC plc Sustainability Report - Moving Forward 2002

12. They are also urging Fortis to scrap Chalillo and pursue more sensible power generation options, such as bagasse (a byproduct of sugar manufacturing) or gas-fired generators or imports from neighbouring Mexico.

13. The title of the EIA is "The Upper Macal River Storage Facility Feasibility Study"

14. See Sinohydro Corporation's press release of 10 April 2003

15. Contact Quentin Deakin, the Chair of Bradford Green Party on 01274 564 087 for more information on this event.

16. David Woodward (President, BP Azerbaijan), quoted in AFX, 13/12/02, 'BP sees BTC pipeline finance delayed until Q3'

17. Financial Times, 6/2/03, 'Protests threaten Caspian pipeline funding', by David Stern

18. Michael Townshend (BP Azerbaijan Vice President), quoted in Wall Street Journal, 29/1/03, 'BTC Operator Committed To \$2.2 Bln In Pipeline Spending'

19. David Woodward (President, BP Azerbaijan), quoted in Associated Press Worldstream, 13/12/02, 'Decisions on international financing of Caspian pipeline postponed'

20. Financial Times, 18/8/02, 'World Bank attacks own African oil project', by Alan Beattie

21. Judgement - In the matter between Rex vs Masupha Ephraim Sole Before the Hon Mr Acting Justice BP Cullinan on 20th May 2002

22. AMEC Plc Sustainability Report - Moving Forward 2002

23. "AMEC challenged over alleged link to African bribery trial" by Saeed Shah, The Independent 10 February 2002

24. The World Bank has a policy in place of declaring a firm "ineligible" for World Bank contracts, either indefinitely or for a stated period of time, if the Bank determines that the firm has engaged in corrupt or fraudulent practices.

25. DAMS INCORPORATED, The Record of Twelve European Dam Building Companies, February 2000. A Report by The CornerHouse. Chris Lang, Nick Hildyard, Kate Geary, Matthew Grainger. Published by The Swedish Society for Nature Conservation

26. "Borjomi Will Have the Taste of Oil - President does not object pipeline passing through the Borjomi Gorge by Zaza" www.falkor.org/news/BTC.htm

27. "LHDA Has Reneged On Its Promises And Forgotten About Us" 20/11/02

Article from the newspaper Mopheme/The Survivor, published in Maseru. Available at www.irn.org/programs/lesotho/index.asp?id=021120.reneged.html

28. The Judgement is available at www.odiousdebts.org/odiousdebts/publications/CullinanJSoleJudgement.pdf

Dear Sir Peter

We are writing to you to express our serious concerns about the proposed Baku-Tbilisi-Ceyhan (BTC) pipeline, in which your company is involved through its \$320 million joint venture contract in Georgia.

We are deeply concerned about the grave impacts the pipeline will have on regional tensions, poverty, human rights and local populations and would therefore urge you to reconsider your company's involvement in this project

In particular, we are concerned about the following issues, which we would urge you to consider when assessing your company's involvement in the BTC pipeline:

- In the public interest? The Inter-governmental Agreement for the BTC pipeline states that the project "...is not intended or required to operate in the service of the public benefit or interest in its Territory".
- Meeting international standards? The BP-led consortium has said that the BTC project will comply with World Bank standards. However, NGOs who have visited the region report that there have already been major violations of these standards. An analysis by WWF of the hydrogeological studies undertaken as part of the project EIA for Georgia, for example, concludes that there is insufficient data to satisfy EC or UK regulations for a project of this nature.
- Alleviating poverty? The pipeline threatens to undermine and distort the local economies of Azerbaijan, Georgia and Turkey, which suffer high levels of poverty. For example, the pipeline could destroy Georgia's main source of export income - the Borjomi mineral water springs.
- Worsening climate change. The pipeline will transport oil which, when burnt, will be equivalent to 30% of the UK's yearly carbon dioxide emissions.
- Creating local pollution. Oil spills are inevitable. The pipeline runs through areas prone to erosion and earthquakes.
- Damaging unique and sensitive natural habitats, including Georgia's primeval beech forest. According to the Georgian Minister of the Environment, in pushing for the current pipeline route, "BP representatives are requesting the Georgian government to violate our own environmental legislation." The route also breaches IUCN (World Conservation Union) guidelines, and has been widely and strongly opposed by the Georgian public. It is reported that considerable pressure was exerted on the Georgian Environment Minister to approve the project route despite unresolved concerns. AMEC would be building the pipeline through this highly sensitive area.
- Increasing tensions in a turbulent region. Eastern Turkey, Azerbaijan and Georgia have all experienced recent conflicts. The pipeline will require substantial security, and will be a prime target for terrorist attack.
- Increasing human rights abuses and repression. The pipeline threatens to become a militarised corridor - with Georgia in particular investing heavily in military units to guard the pipeline.

We welcome the fact that AMEC states in its policies that:

"We respect the human rights and dignity of those affected by our operations in a manner consistent with the obligations and commitments of the international jurisdictions in which we operate and without discrimination of any kind" and "We will pursue an absolute goal of causing no harm to the environment."

We urge AMEC to live up to its principles, which we believe are incompatible with continued involvement in the BTC pipeline, by withdrawing from the project forthwith.

Yours sincerely,

Kerim Yildiz, Director, Kurdish Human Rights Project and Baku Ceyhan Campaign

Nicholas Hildyard, Director, The Cornerhouse and Baku Ceyhan Campaign

Hannah Griffiths, Friends of the Earth UK Wales and Northern Ireland, and Director, Baku Ceyhan Campaign

James Marriott, Director, PLATFORM and Baku Ceyhan Campaign

GLOSSARY OF TERMS

AttFN: Attawapiskat First Nation. Indigenous Canadian community affected by De Beers diamond mine construction.

BNRR: Birmingham Northern Relief Road. 27 mile 6-lane tolled motorway currently under construction by a consortium including AMEC. The BNRR will damage green belt and two Sites of Special Scientific Interest. The project is heavily opposed by local residents.

BTC: Baku-Tbilisi-Ceyhan pipeline. Controversial 1750 km pipeline to be constructed by BP-led consortium, transporting oil from the Caspian to the Mediterranean. AMEC and others are constructing the 248 km Georgian section.

ECGD: Export Credits Guarantee Department. The UK's export credit agency, providing insurance for companies operating overseas. AMEC director Liz Airey chairs the ECGD's advisory committee.

EIA: Environmental Impact Assessment. AMEC's EIA for the Challilo Hydro Project in Belize has been heavily criticised as inaccurate and misleading. Appeals against the project have failed and construction is scheduled to begin this month.

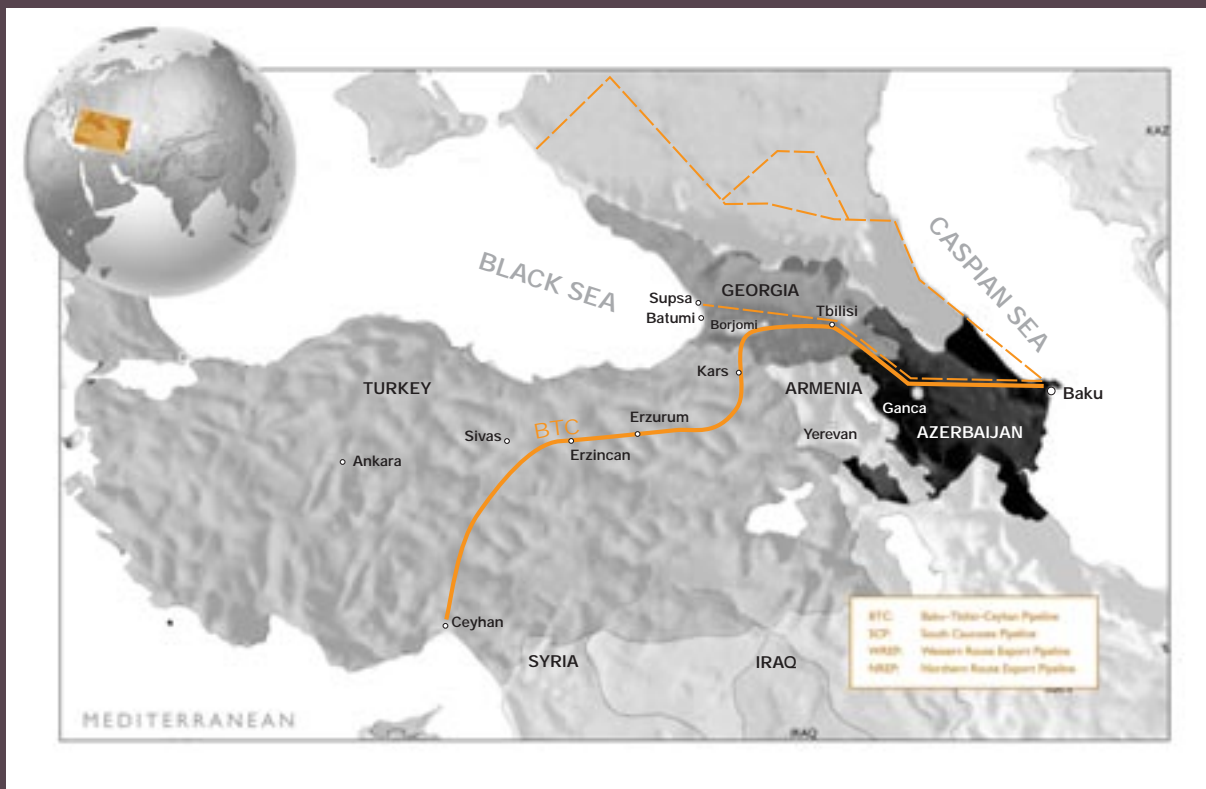
LHWP: Lesotho Highlands Water Project. Ongoing bribery and corruption case dating from 1980s transactions related to the LHWP. AMEC subsidiary SPIE allegedly involved, although states it has 'no legal association' with the case following a company name-change and buy-out.

NGO: Non Governmental Organisation. The following NGOs have raised concerns about AMEC's activities over the past few years: Friends of the Earth, The Ilisu Dam Campaign, Cornerhouse, the Kurdish Human Rights Project, International Rivers Network, Probe International, Alliance Against the BNRR, PLATFORM, Rising Tide, The Greens Movement of Georgia, Bank Information Center, Campagna per la Riforma della Banca Mondiale, CEE Bankwatch Network, Manchester Airport Environment Network.

SPIE: AMEC subsidiary acquired in 2003, allegedly involved in LHWP bribery scandal, awarded contract for Georgian section of BTC pipeline.

TEK: Traditional Ecological Knowledge. AMEC is carrying out research for a proposed De Beers diamond mine 90 km from Attawapiskat, Ontario, including consultations with the AttFN on TEK. Representatives of the AttFN have expressed concern over the conduct and validity of AMEC's research programme.

WCD: World Commission on Dams. Report laying out 'internationally acceptable criteria, guidelines and standards' for the construction of large dams. After withdrawing from the Yusufeli Dam project in 2002, AMEC offered qualified support for WCD standards.



Friends of the Earth

Friends of the Earth
 26-28 Underwood Street
 London N1 7JQ
 Telephone +44 (0)20 7490 1555
 Fax +44 (0)20 7490 0881
 Email info@foe.co.uk
 Website www.foe.co.uk



Baku Ceyhan Campaign
 Box 210, 266 Banbury Road
 Oxford OX2 7DL
 Telephone +44 (0)1865 200 550
 Email baku@gn.apc.org
 Website www.baku.org.uk

CREDITS

This report was produced by Hannah Griffiths on behalf of Friends of the Earth and the Baku Ceyhan Campaign. Writing and research also by Kate Geary (Baku Ceyhan Campaign) and Rachel Aspden (Friends of the Earth). Design by Dominic Schofield. Thanks also to Gregg Muttitt (PLATFORM), Grainne Ryder (Probe International), Jackie Hookimaw Witt (Attawapiskat Band member), Benjamin Diss (Baku Ceyhan Campaign), David Ford (Bradford Green Party Councillor) and Deborah Thompson (Friends of the Earth) for additional information, writing and contributions.