



**CBA Curriculum Unit**

# **RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE, AND POLITICS COLLIDE**

**August 1, 2008**

**AUTHORED BY:**

**Allison Dvaladze,  
Assistant Director for Outreach,  
Ellison Center, University of Washington**

**GRAPHIC DESIGNER:**

**Austin Stockwell**

**CBA TOPIC: Causes of Conflict**

**LEVEL: High School**

*This document is intended to assist teachers who are implementing the Causes of Conflict CBA for high school students, but will be useful to anyone teaching about current world issues, international relations, and related fields.*

*Funded in part by a grant from the U.S. Institute of Peace*

**RUSSIA'S SAKHALIN ISLAND:  
WHEN OIL, NATURE AND POLITICS COLLIDE**

**TABLE OF CONTENTS**

<b>WASHINGTON STATE CBA: CAUSES OF CONFLICT</b>	<b>3</b>
<b>GENERAL BACKGROUND FOR TEACHERS</b>	<b>4</b>
<b>APPROACHING THE CBA</b>	<b>5</b>
<b>PART I: INQUIRY, INFORMATION, AND GROUP PROCESS</b>	<b>6</b>
<b>ACTIVITY 1.1 – WARM-UP: BRAINSTORMING CURRENT CONFLICTS</b>	<b>6</b>
<b>ACTIVITY 1.2 – INTRODUCE CONFLICT: DEVELOPMENT OF SAKHALIN</b>	<b>7</b>
<b>ACTIVITY 1.3 – SCENARIO</b>	<b>9</b>
<b>ACTIVITY 1.4 – COLLECTING AND ASSESSING BACKGROUND INFORMATION</b>	<b>10</b>
<b>ACTIVITY 1.5 – CLASS PRESENTATIONS</b>	<b>11</b>
<b>PART II: KEY CONCEPTS AND VOCABULARY</b>	<b>11</b>
<b>ACTIVITY 2.1 – VOCABULARY (CLASSROOM OR HOMEWORK ACTIVITY)</b>	<b>11</b>
<b>BACKGROUND FOR TEACHERS – TERMS AND DEFINITIONS</b>	<b>11</b>
<b>ACTIVITY 2.2 – TIMELINE (CLASSROOM ACTIVITY)</b>	<b>11</b>
<b>PART III: INQUIRY</b>	<b>14</b>
<b>ACTIVITY 3.1 – LOCATING RELEVANT PRIMARY AND SECONDARY RESOURCES</b>	<b>15</b>
<b>ACTIVITY 3.2 – DEVELOPING AN ANNOTATED BIBLIOGRAPHY</b>	<b>15</b>
<b>ACTIVITY 3.3 – ORGANIZING INFORMATION</b>	<b>15</b>
<b>ACTIVITY 3.4 – ANALYZING INFORMATION</b>	<b>15</b>
<b>ACTIVITY 3.5 – CONSTRUCTING A TIMELINE</b>	<b>16</b>
<b>ACTIVITY 3.6 – WRITING THE ESSAY</b>	<b>16</b>
<b>HANDOUT #1 – INTRODUCTION TO SAKHALIN II WORKSHEET</b>	<b>17</b>
<b>HANDOUT #2 – CAUSES OF CONFLICT SCENARIO</b>	<b>19</b>
<b>HANDOUT #3 – COUNTRY ANALYSIS BRIEF FOR RUSSIA</b>	<b>21</b>
<b>HANDOUT #4 – REVIEWING AND ASSESSING BACKGROUND INFORMATION</b>	<b>23</b>
<b>HANDOUT #5 – SAKHALIN ISLAND BRIEF</b>	<b>27</b>
<b>HANDOUT #6 – INTERVIEW: ENERGY ANALYST LOOKS AT SAKHALIN II TAKEOVER</b>	<b>27</b>
<b>HANDOUT #7 – GAZPROM PRESS RELEASE: GAZPROM BECOMES SHAREHOLDER OF SAKHALIN II PROJECT</b>	<b>29</b>
<b>HANDOUT #8 – PRESS RELEASE: SHELL'S SAKHALIN II – RUSSIAN ENVIRONMENT AGENCY EXPECTED TO CONFIRM HISTORY OF VIOLATIONS</b>	<b>31</b>
<b>HANDOUT #9 – KEY CONCEPTS AND VOCABULARY</b>	<b>35</b>
<b>HANDOUT #10 – RESOURCES</b>	<b>37</b>
<b>HANDOUT #11 – CAUSES OF CONFLICT GRAPHIC ORGANIZER</b>	<b>41</b>
<b>HANDOUT #12 – CAUSES OF CONFLICT SCORING RUBRIC</b>	<b>43</b>

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### WASHINGTON STATE CBA (CLASSROOM-BASED ASSESSMENT): CAUSES OF CONFLICT

The Causes of Conflict CBA states that “understanding the causes of conflicts may help us resolve current conflict or even prevent future ones from occurring.” It asks students to research a conflict, defined in this CBA as “a struggle between two or more groups,” and analyze its causes from two or more social science perspectives.

#### DIRECTIONS TO STUDENTS

**In a cohesive paper or presentation, you will:**

- 1) State a position on why a factor (or factors) played a primary role in causing the conflict AND find similarities between this conflict and current conflicts.
- 2) Provide reason(s) for your position that include:
  - An evaluation of factors causing the conflict from two or more of the following social science perspectives:
    - geographic
    - political
    - economic
    - cultural
    - sociological
    - psychological
  - Relevant information from two or more primary sources to support reasons for the position.
- 3) Make explicit references within the paper or presentation to three or more credible sources that provide relevant information AND cite sources within the paper, presentation, or bibliography.

For more information please see the OSPI website under social studies assessments: <http://www.k12.wa.us/assessment/WASL/SocialStudies/HighSchool.aspx>. The graphic organizer (**Handout #11**) and scoring rubric (**Handout #12**) for this CBA appear at the end of this document and are also available on the OSPI website.

**Note:** Students may do a paper or presentation in response to the CBA provided that for either format, there is documentation of this response that someone outside their classroom could easily understand and review using the rubric (e.g., a videotaped presentation, an electronic written document).

The purpose of this unit is to prepare high school students to successfully complete the Social Studies CBA: Causes of Conflict. This unit is designed to help students understand disputes related to the development of oil fields in Russia and how historical events relate to the understanding of these disputes. The unit is divided up into several parts. Depending on students' backgrounds and interests and your curriculum guidelines, you may want to focus your time on certain sections. The activities and resources included will help students understand Russian energy issues; however there are also resources for exploring other conflicts. We suggest that you hang chart paper in your classroom and have students keep a running list of current disputes and conflicts involving Russia, Soviet successor states, and energy as you go through this curriculum.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### GENERAL BACKGROUND FOR TEACHERS

In the 16 years since the collapse of the Soviet Union and the emergence of 15 independent states within its former boundaries, the pace of transformation has varied significantly not only from state to state, but year to year. For the purpose of this curriculum unit we will focus on the largest successor state, Russia, and the path it has taken since independence. Examining events, policies, attitudes, international relations, and numerous other factors that have shaped its course can contribute greatly to understanding Russia today.

In 1998, Russia was in effect bankrupt, its population impoverished, its state revenues depleted and foreign reserves as low as \$6.6 billion following years of mismanagement. Governments and citizens of western countries viewed Russia as a backward backwater, desperate for western aid, and dependent on the generosity of benevolent wealthy superpowers. Just ten years later, Russia is the third largest owner of U.S. debt and its foreign currency reserves top 477 billion. It is the world's second largest oil producer and holder of the world's largest known natural gas reserves. The state-owned Gazprom alone controls approximately one third of the world's gas reserves and supplies a quarter of Europe's gas needs. Russia has turned the tables and it is now Europe, and to some extent Asia, that depend on Russia for energy.

As president, Vladimir Putin made it his mission to restore pride to this country that spans 1/6 of the earth's land mass. Under his leadership, Russia's relations with Great Britain and the United States have become strained; it has been called a "petro-bully," reprimanded for its policies toward the Near Abroad (Soviet successor states) and accused of using its vast energy resources as a political weapon. While business interests and national security concerns can be used to explain Russia's energy policies, history can help students understand the attitudes, sensitivities, and reactions of other countries in response to Russian energy policy, and possibly address the following questions: If Russia is using its resources as a political tool, why? Why is energy security important and why is the European Union concerned about becoming too dependent on Russia for its gas supply? How does this influence the foreign policies of EU countries?

This rapid change of fortune and brazen show of bravado has come as a complete surprise to many in the West who still think of Russia as an impoverished country run by mafia and a citizenry hungry for western products and western democracy. Media reports are often filled with stories of Putin's consolidation of power, increasing control of the press, crackdowns on opposition rallies, and virtual ban on any real opposition to the government in the 2007 parliamentary and 2008 presidential elections. A look into the past can shed light on the present situation and serve to help students better understand this critical part of the world.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### APPROACHING THE CBA

This CBA is designed to be completed as a whole class addressing the topic of energy and Russia, specifically the development of gas and oil fields in the Russian Far East and Sakhalin Island. You may also adapt the outline to allow students to complete the exercise on a topic of their choosing. In that case, you would first choose one topic for the whole class to work on together. Then, when it is time for students to complete their own CBAs, each student would choose a new topic. You might offer students a short menu of topics from which to choose.

Some suggestions might include:

- What historical and economic factors can help explain the conflict concerning the development of gas and oil fields and construction of new pipelines in the Russian Far East? What are the causes and effects of this conflict?
- Rising global energy prices have boosted the Russian economy and along with it Russia's position on the international stage. How has growing energy wealth strained its relations with other countries? What are the causes and effects of the strained relations?
- How do historical and economic factors explain the recent conflict regarding Russia's claims on the North Pole? What are the causes and effects of the current dispute over this region?
- Why has Russia been accused of using its oil and gas resources as a political weapon? What are the causes and effects of using oil and gas as a political weapon?
- Why are relations between Russia and some former soviet states (Georgia, Ukraine, Estonia, etc.) strained? What are the causes and effects of these strained relations?
- How do historical and economic factors help us understand Russia's suspension of gas to neighboring countries such as Ukraine and Georgia? What are the causes and effects of shutting off the gas?

Another possibility might be to have the whole class get started by researching current Russian energy policy, broadly, and then let students choose a specific sub-topic for their CBA (such as the development of Sakhalin Island or Russian Far East, North Pole exploration or suspension of service to neighboring countries).

Introduce the Causes of Conflicts CBA, including the questions/tasks, the rubric (**Handout #12**), the graphic organizer (**Handout #11**), etc. These can also be accessed at the OSPI website: <http://www.k12.wa.us/assessment/WASL/socialstudies/HighSchool.aspx>.

Explain that, as a class, they will be working through this CBA, looking at the causes and effects of conflicts. This means that in the end each student will be asked to select a conflict and in a persuasive position paper explain how various factors helped cause the conflict. Students will also make a case for why one factor (or factors) played the biggest role, and provide evidence to support their claims.

## **RUSSIA'S SAKHALIN ISLAND**

### ***PART I: INQUIRY, INFORMATION, AND GROUP PROCESS***

#### **ACTIVITY 1.1 – WARM-UP: BRAINSTORMING CURRENT CONFLICTS**

##### **ENERGY BACKGROUND FOR TEACHERS**

Today Russia is the world's second largest oil producer and exporter after Saudi Arabia. It is the world's biggest producer and exporter of natural gas with the state owned Gazprom alone controlling approximately one third of the world's gas reserves and supplying a quarter of Europe's gas needs. It holds the world's largest known natural gas reserves, ranks second for coal reserves and seventh for oil reserves. Energy is by far Russia's largest industrial sector and has been growing steadily since 1999, thanks to higher world prices. This steady increase followed a crash in production and exports earlier in the decade resulting from the collapse of the Soviet Union and ensuing economic crisis.

Income from the oil and gas sector has boosted the Russian economy and along with it Russia's position on the international stage. Most notably Russia's state-owned Gazprom has been criticized for its close ties to the government, monopolizing the market and cutting gas supplies to neighboring countries. Russia defends the cut offs explaining that the countries in question refused to pay market value for gas (a 400% price increase); while the countries affected, as well as the United States, argue that their motives are political. Georgia, Ukraine, and other former Soviet states claim Russia is using oil and gas to exert power over countries in its former sphere of influence as punishment for their aspirations to join NATO and the EU. Cuts to Ukraine in 2006 resulted in a 30% reduction in delivery to the rest of Europe and raised concern over the EU's dependence on Russian gas. Another controversy concerns Russia's claims to resources under the North Pole. In August 2007, a Russian submarine planted a Russian flag on the Arctic seabed two miles below the North Pole, a symbolic attempt to accompany their claim. Some scientists believe that the Arctic region may hold as much as one quarter of the earth's remaining untapped oil and gas reserves. The race to claim resources believed to be under the North Pole is creating an additional cause for tension among northern states. Disputes over the development and export of resources in the Far East, most notably Sakhalin Island, have also captured international attention.

##### **Step One**

Ask students to break into groups and spend ten minutes making two lists, the first should include as many events or issues as they can think of related to Russia and the second should be a list of conflicts that involve Russia. After ten minutes, ask each group to share what they have come up with and how they heard about the event or issue. Keep a running list of what is mentioned and the sources (i.e. TV, newspaper, internet, parents, school, etc).

##### **Step Two**

Did anyone bring up a current event or issue related to energy? If so, explore what students know about Russia and energy. If not, probe students to find out what they do know. Is Russia a big energy producer? Consumer? Exporter? Do they think of Russia as a major energy supplier? Why or why not? If yes, what types of energy resources does Russia have?

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### Step Three

Ask students to walk through their day identifying what activities they perform that require energy. What different types of energy and fuel do these activities require? Do they know where the fuel comes from? How important is energy in their daily lives? Tables showing production and export levels by country can be found at: <http://www.eia.doe.gov/> (see: international link).

### ACTIVITY 1.2 – INTRODUCE CONFLICT: DEVELOPMENT OF SAKHALIN II

#### Overview

This activity will introduce students to the conflict and controversy surrounding Sakhalin II and encourage them to begin thinking about what historical events and economic factors might help them better understand its roots.

#### **BACKGROUND FOR TEACHERS – SAKHALIN ISLAND CONFLICT**

Conflict is not new to Sakhalin Island. The narrow, 600-mile long island is just seven miles from mainland Russia, but seven time zones and nine hours from Moscow by plane, and roughly 26 miles from Japan's Hokkaido Island. Sakhalin has been claimed by Russia (and the Soviet Union), China, and Japan. Home to several indigenous populations, Sakhalin was also settled by Russians and Japanese over the centuries. In 1875 Japan agreed to give up its claims to the island, but in 1905, following the Russo-Japanese war, Japan took control of the southern part of the island and then the entire island following the Russian Revolution in 1917, only to abandon it seven years later. It was not until after WWII that the Soviet Union took control of the island and established a penal colony on the island.

The island and its environs are rich in resources from gas and oil to salmon and timber. Following the collapse of the Soviet Union, the financially devastated Russian government was eager to develop Sakhalin's offshore oil and gas reserves. Unable to finance the development itself, the government divided the fields into six projects known as Sakhalin I through VI. Lured by the estimated 45 billion barrels of oil believed to lie beneath the sea off the island's shores, the Sakhalin Energy Investment Company, a consortium including Shell, Mitsubishi, and Mitsui, signed an agreement with the Russian government in 1994 to develop the Sakhalin II deposits (Exxon-Mobile signed on to develop Sakhalin I).

According to the initial product-sharing agreements (PSAs) signed with Sakhalin Energy and Exxon, the Russian government would not tax the companies but instead it would get a share of the product once the oil companies recouped their investments. Over the past 15 years, the price of oil has risen from \$15 a barrel to over \$100 a barrel, while the oil companies developing the Sakhalin projects have raised their cost estimates by over \$14 billion.

In the meantime, local and international environmental organizations as well as indigenous populations have protested the development of the region citing, among other offenses, fuel spills, poor safety records, excessive logging leading to erosion, endangered salmon runs, damage to local fisheries and the livelihood of the indigenous population, and threatening the extinction of the Western Pacific Grey Whale. Local populations have blockaded construction sites protesting the project and claim they were misled by the by gas and oil industry regarding the potential benefits and impacts of the projects. The investors, on the

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

other hand, point to over \$300 million spent on infrastructure development and a record low unemployment rate of 1.5% on the island, well below the average in Russia today.

In 2006, the Russian government suddenly threw its support behind the environmentalists and temporarily revoked permits for the construction of a pipeline to carry the gas to market and threatened to cancel the project's operating license. In the decade since the original agreements were signed, Sakhalin II has become the world's largest oil and gas project costing over \$20 billion dollars and employing more than 25,000 people. Rising oil prices have also emboldened the Russian government and increased its bargaining position. Facing the potential loss of its investments to date, Sakhalin Energy ceded majority control to the Russian energy giant Gazprom for \$7.45 billion. Following the deal, the Russian government announced that the project's environmental record was in compliance and the project could proceed. Gazprom stands to profit well as the next 20 years of gas and oil to flow from Sakhalin's pipelines have already been sold with 20 percent going to the U.S., another 20 percent to South Korea and 60 percent to Japan.

Similar conflicts have played out throughout Russia in recent years and continue to develop as both prices and demand for oil and gas increase, bringing local populations, environmental organizations, multinational gas and oil consortiums, and governments into conflict. To better understand these conflicts it is necessary to gain a better understanding of the historical and economic factors that contribute to the current situations.

Distribute **Handout #1 – Introduction to Sakhalin II Worksheet** with questions to go along with the PBS video “Russia: Island on the Edge: A Rough, New Energy Frontier.” Go over the questions with the students before viewing the clip. Have students work in pairs as they answer the questions on the handout, then lead a class discussion as you review the questions. Worksheet answers are listed below in italics.

Begin by showing the following 17-minute film clip from the PBS Rough Cut Series: Russia: Island on the Edge: A Rough, New Energy Frontier, By Nick Guroff, May 17, 2007.

[http://www.pbs.org/frontlineworld/rough/2007/05/russia\\_island\\_o.html#](http://www.pbs.org/frontlineworld/rough/2007/05/russia_island_o.html#)

### Introduction to Sakhalin II Worksheet – Answer Key

#### Questions:

- 1) What is the setting and time period addressed in the video? How would you describe the environment? (*Sakhalin Island, Russia, 2007*)
- 2) What conflict(s) does the video address? (*Local population vs. oil companies; environmentalists vs. oil companies, Russian government vs. oil companies*)
- 3) Who are the stakeholders and why are they in conflict? (*Local population wants to see more benefits from the development and less negative impact; indigenous population is concerned about its traditional livelihood (fishing and caribou hunting); oil companies want to get their product to the global market and begin recouping their investments and make a profit; environmentalists want the project to stop or at least meet stricter environmental standards; Russian government wants a share in the profits*)

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

- 4) What historical events are you aware of that might help you better understand this conflict? (*Some suggestions: historical relations between Russia and the oil companies'/investors' countries of origin (note that the oil companies have sought government financing for their projects), other energy policies pursued by Russia, geopolitics, etc.*)
  - 5) What is the source of the information? (*American Journalist for PBS*) What do you know about the source?
  - 6) Does the journalist present multiple views? (*Yes*) What and whose are they? Are there any views missing that you believe might be important to hear? If so, whose are they?
  - 7) Could this conflict in any way have an impact on your way of life? Why or why not?
- 

### ACTIVITY 1.3 – SCENARIO

The purpose of the following scenario is to review how historical and economic strands affect/influence conflict. Distribute **Handout #2 – Causes of Conflict Scenario**. Working in small groups, ask students to consider the following scenario, answer the subsequent questions, and be prepared to discuss their answers in class. You can explain to the students that the scenario is based loosely on the relationship between foreign investors in Russia and the Russian government, or wait to discuss this aspect of the scenario until the discussion portion of the exercise.

Explain to students that the events in history often play a role in the causes of conflicts. It is therefore necessary to examine past relations and events to better understand conflicts, both in the past and present-day. When it comes to Russian energy policy and current disputes or conflicts, students need to have some understanding of the Cold War and the collapse of the Soviet Union in order to understand the current tensions over the development of energy resources, claims to the North Pole, gas cut-offs, and energy security.

#### Discussion questions:

- 1) How does this history affect how you feel about the other company?
- 2) How do historical and economic factors affect or influence the conflict?
- 3) Is this history important to how you will conduct business today? If so, how?
- 4) In making future decisions about your business will you listen to your competitor or focus on your own interests?
- 5) What in the history of this relationship influences how you feel about the other company today? Why?
- 6) What role did trust play in this scenario and how does the past affect the level of trust you have today?

After students have had some time to discuss the questions in their groups lead the class in a discussion about their reactions to this scenario. Guide students in a brainstorm of conflicts they have studied or discussed in school and briefly consider some of the historic and economic factors that were involved.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### ACTIVITY 1.4 – COLLECTING AND ASSESSING BACKGROUND INFORMATION

**Homework:** Assign background readings about the Cold War, Collapse of the Soviet Union and Yeltsin era and/or interviewing adults at home. If you have already covered this material, break the class into groups and assign everyone to skim through the general background (**Handout #3 – Country Analysis Brief for Russia**) and assign each group to read one of the texts suggested below. The group reading texts can be found in the appendix for reproduction and distribution. Also distribute **Handout #4 – Reviewing and Assessing Background Information** and instruct students to answer the questions as they read their assigned text. Explain that each group will be expected to give a short presentation about their article in class.

**Reading assignment for all students:** The following document can be printed from the web and distributed in its entirety or found at the end of this packet in abridged format (**Handout #3 – Country Analysis Brief for Russia**):

- Energy Information Agency Country Analysis Brief for Russia  
<http://www.eia.doe.gov/emeu/cabs/Russia/Background.html>

#### Additional recommended web resources:

- Russia Energy Key Facts  
<http://news.bbc.co.uk/2/shared/spl/hi/guides/457000/457038/html/nn2page1.stm> and  
<http://news.bbc.co.uk/2/shared/spl/hi/guides/456900/456974/html/nn1page1.stm>
- Russia Energy Overview (more in-depth)  
<http://news.bbc.co.uk/2/hi/europe/4699942.stm>
- Russia's Energy Disputes  
[http://www.cfr.org/publication/12327/russias\\_energy\\_disputes.html](http://www.cfr.org/publication/12327/russias_energy_disputes.html)

**Reading assignments for groups:** The following documents can be printed from the web and distributed (they can also be found at the end of this packet). Divide the class into four or five groups and distribute a different article to each group.

- **Handout #5 – Sakhalin Island Brief**  
<http://www.eia.doe.gov/emeu/cabs/Sakhalin/pdf.pdf>
- **Handout #6 – Interview: Energy Analyst Looks at Sakhalin-2 Takeover**  
<http://www.rferl.org/featuresarticle/2006/12/5170BF7D-C480-4C81-A238-E8D14B4AA5C0.html>
- **Handout #7 – Press Release: Gazprom Becomes Shareholder of Sakhalin II Project**  
<http://www.gazprom.ru/eng/news/2007/04/23260.shtml>
- **Handout #8 – Press Release: Shell's Sakhalin II – Russian Environment Agency Expected to Confirm History of Violations**  
<http://www.pacificenvironment.org/article.php?id=2094>  
<http://www.npolar.no/ansipra/english/Items/Sakhalin.html>
- **Web only: Sakhalin Residents Call for Shell cash**  
<http://news.bbc.co.uk/2/hi/asia-pacific/4381870.stm>

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### Reading suggestions for alternative conflicts:

- Ukraine: <http://news.bbc.co.uk/2/hi/europe/4577648.stm>
- Georgia: <http://news.bbc.co.uk/2/hi/business/6109606.stm>
- North Pole (includes reading and discussion questions):  
[http://www.pbs.org/newshour/extra/features/july-dec07/arctic\\_9-10.html](http://www.pbs.org/newshour/extra/features/july-dec07/arctic_9-10.html)
- EU and Russian Gas: <http://news.bbc.co.uk/2/hi/europe/7240462.stm>

---

### ACTIVITY 1.5 – CLASS PRESENTATIONS

Instruct each group to give a five minute presentation to the class about their assigned text using the questions (**Handout #4 – Review and Assessing Background Information**) as a guide. Keep a running list of the views and stakeholders discussed. The audience should take notes and come up with at least one question for each presentation. At the end of the presentations review the list of stakeholders and views presented as well as views that are missing. Instruct students to select a stakeholder of their choice from either the list of views that are represented or missing, research the individual, group, or organization and be prepared to present the findings in class.

---

## *PART II: KEY CONCEPTS AND VOCABULARY*

### ACTIVITY 2.1 – VOCABULARY (CLASSROOM OR HOMEWORK ACTIVITY)

Break the class into groups and distribute the vocabulary list (**Handout # 9 – Key Concepts and Vocabulary**). Let students know that they will be expected to discuss these terms in class. At least one person in each group should know something about the event, person, or place, not just the date. Alternatively, these terms could be reviewed in a class discussion. In this case, the focus of the exercise could be on how each term relates to energy or the conflict over Sakhalin II.

### BACKGROUND FOR TEACHERS – TERMS AND DEFINITIONS

**Capitalism (Market Economy):** An economic system in which the ownership of land and natural wealth, the production, distribution and exchange of goods, and the operation of the system itself are determined by private enterprise under competitive conditions rather than government central planning.

**Command Economy (Planned Economy):** An economic system based on government ownership of all means of production (farms, factories, shops, etc) and the organization of those assets into firms managed by the state in accordance with output targets and prices fixed by government economic planners. Priority is placed on industrial and military investment over consumer goods and food.

**Cold War:** The rivalry that developed after World War II between communist and non-communist countries or the Soviet Union and the United States and their respective allies. During this period the United States and the Soviet Union competed for influence around the world and engaged in a massive arms race. The Cold War concluded with the dissolution of the Soviet Union on December 31, 1991.

**Former Soviet Union/Near Abroad:** Refers to the 15 states that were once united by the Union of Soviet Socialist Republics (USSR). The countries are: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Russia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan. When discussing Russia, the near abroad refers to the 14 countries (other than Russia) that made up the USSR.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

**Gazprom:** Russia's state-controlled natural-gas monopoly. Until recently it was headed by Prime Minister Dmitri Medvedev, Russia's third president (as of May 2008).

**Glasnost:** A policy of cultural and social openness in the Soviet Union instigated by General Secretary Mikhail Gorbachev in an effort to move the union closer to true communism. Under *glasnost* (openness) some forms of censorship were abolished and public debates, disclosure of government corruption and crimes were permitted and control over literature and the arts was relaxed. *Glasnost* was part of Gorbachev's larger *perestroika* (restructuring) plan.

**Perestroika:** The term used by Mikhail Gorbachev to describe his new economic and social policy introduced in the late 1980s. *Perestroika* (restructuring) was implemented to transform the Soviet Union's stagnant inefficient planned economy. It included greater independence for managers and local officials as well as elections within the Communist party organization. *Perestroika* was not anti-communist but implemented in the hopes of achieving true communism. The plan failed in this regard and by 1991 the system and the union dissolved.

**Medvedev, Dmitri:** Russia's third president since independence, elected in 2008. Prior to becoming president, Medvedev served as a deputy prime minister under Vladimir Putin and as chairman of Gazprom's board of directors. Medvedev is from outside of St. Petersburg and has a doctorate in law.

**Putin, Vladimir:** Russia's second president since independence. Boris Yeltsin appointed Vladimir Putin prime minister in August 1999, handing him the presidency on December 31, 1999. Putin was elected president in 2000 and 2004. He has a background in the KGB and St. Petersburg politics.

**Shock-Therapy:** Refers to an economic program characterized by the sudden release of price and currency controls, ending of state subsidies, and immediate trade liberalization (as in Russia and other former Soviet countries following the collapse of communism). Also includes large-scale privatization of assets previously owned by the government.

**Super Power:** The term used to describe a country with a leading position in the international system and the ability to influence events and project its interests and power on a global scale.

**Yeltsin, Boris:** Russia's first president (1992-1999) famous for challenging coup plotters from atop a tank in 1991, ushering in the peaceful end of the Soviet Union. Yeltsin faced many challenges during his presidency. He was considered a close friend of the West but was less popular at home for failing to reign in the chaos that plagued Russia following the break-up of the Soviet Union and market reforms.

### **ENERGY-RELATED TERMS** (Source: EIA, <http://www.eia.doe.gov/>)

**Coal:** Coal is a combustible black or brownish-black sedimentary rock composed mostly of carbon and hydrocarbons. It is the most abundant fossil fuel produced in the United States. Over 90 percent of the coal used in the United States is used to generate electricity. It is also used as a basic energy source in many industries, including, steel, cement, and paper.

**Crude Oil:** A mixture of hydrocarbons that exists in liquid phase in natural underground reservoirs and remains liquid at atmospheric pressure after passing through surface separating facilities.

**Electricity:** Electricity is a form of energy characterized by the presence and motion of elementary charged particles generated by friction, induction, or chemical change. Electricity is a secondary energy source which means that we get it from the conversion of other sources of energy, like coal, natural gas, oil, nuclear power, and other natural sources, which are called primary sources. The energy sources we use to make electricity can be renewable or non-renewable, but electricity itself is neither renewable or non-renewable.

**Liquid Natural Gas:** Liquefied natural gas (LNG) is natural gas that has been cooled to about minus 260 degrees Fahrenheit for shipment and/or storage as a liquid. The volume of the liquid is about 600 times smaller than the gaseous form. In this compact form, natural gas can be shipped in special tankers to receiving terminals in the United States and other importing countries. At these terminals, the LNG is returned to a gaseous form and transported by pipeline to distribution companies, industrial consumers, and power plants. Liquefying natural gas provides a means of moving it long distances where pipeline transport is not feasible, allowing

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

access to natural gas from regions with vast production potential that are too distant from end-use markets to be connected by pipeline.

**Natural Gas:** Natural gas is a nonrenewable source of energy used primarily for heating and generating electricity. The U.S. produces natural gas from wells within the U.S. but also imports natural gas from abroad. The U.S. imports natural gas via pipeline from Canada and Mexico, but to move natural gas from countries that are further away, the natural gas is turned into a liquid (also called "Liquefied Natural Gas" or LNG) by supercooling and transported as a liquid on tankers before being warmed up and turned into a gas upon arrival in the United States.

**Nuclear Energy:** Nuclear power accounts for about 19 percent of the total electricity generated in the United States, an amount comparable to all the electricity used in California, Texas, and New York, our three most populous states. A nuclear power plant operates basically the same way as a fossil fuel plant, with one difference: the source of heat. The process that produces the heat in a nuclear plant is the fissioning or splitting of uranium atoms. That heat boils water to make the steam that turns the turbine-generator, just as in a fossil fuel plant. The part of the plant where the heat is produced is called the reactor core.

**Petroleum:** A broadly-defined class of liquid hydrocarbon mixtures. Included are crude oil, lease condensate, unfinished oils, refined products obtained from the processing of crude oil, and natural gas plant liquids. *Note:* Volumes of finished petroleum products include non-hydrocarbon compounds, such as additives and detergents, after they have been blended into the products. The word petroleum generally refers to crude oil or the refined products obtained from the processing of crude oil (gasoline, diesel fuel, heating oil, etc.) We find petroleum products in every area of our lives. They are easily recognized in the gasoline we use to fuel our cars and the heating oil we use to warm our homes. However, petroleum-based components are also used in plastics, medicines, food items, and a host of other products.

The following terms are included for students who choose to research an alternative conflict in the region, such as energy cut-offs to Georgia and Ukraine.

### SUPPLEMENTAL TERMS (FOR ALTERNATIVE TOPICS)

**Georgia:** Country of 4.5 million the size of North Carolina located in the South Caucasus between the Black Sea and the Caspian Sea. Georgia borders Armenia, Azerbaijan, Russia and Turkey. Once part of the USSR, Georgia gained independence in 1991 and has endured two unresolved separatist wars and a civil war. Georgia hopes to someday join NATO and the EU. Georgian-Russian relations broke down in 2006 resulting in a full embargo by Russia (closed border, no trade no travel). It is a supporter of the War on Terror and has the third largest number of troops in Iraq after the United States and the United Kingdom.

**Orange Revolution:** In the fall and winter of 2004, citizens of Ukraine took to the streets protesting rigged presidential elections. Supporters of Viktor Yushenko, whose campaign color was orange, set up camps in central Kiev demanding new elections in what became the "Orange Revolution." Protestors forced the authorities to overturn the election results (as the Georgian's had done a year earlier) that had given the presidency to Viktor Yanukovich. New internationally monitored elections brought reformist Viktor Yushchenko to power in 2005.

**Rose Revolution:** In November 2003 citizens of Georgia took to the streets in protest of parliamentary elections they believed to be falsified and called for new elections and the resignation of President Eduard Shevardnadze. On November 24 Tbilisi Mayor Mikhail Saakashvili forced his way into Parliament with a rose in his hand and demanded the president's resignation. The following day President Shevardnadze resigned and new presidential and parliamentary elections were called for early 2004.

**Ukraine:** a country of 46 million people just slightly smaller than Texas. Ukraine borders Belarus, Hungary, Moldova, Poland, Slovakia, Romania Russia and the Black Sea. It gained independence from the USSR in 1991. After Russia, Ukraine was the most important economic component of the Soviet Union and produced about four times the output of the next-ranking republic. Under President Yushchenko Ukraine has expressed interest in joining NATO and the EU.

### ***PART III: INQUIRY***

Briefly review the Causes of Conflict CBA requirements. Explain that they will now need to work on producing their essay in which they are required to:

- 1) State a position on why a factor (or factors) played a primary role in causing the conflict AND find similarities between this conflict and current conflicts.
- 2) Provide reason(s) for your position that include:
  - An evaluation of factors causing the conflict from two or more of the following social science perspectives:
    - geographic
    - political
    - economic
    - cultural
    - sociological
    - psychological
  - Relevant information from two or more primary sources to support reasons for the position.
- 3) Make explicit references within the paper or presentation to three or more credible sources that provide relevant information AND cite sources within the paper, presentation, or bibliography.

Help students begin their research by discussing the most effective approaches to gathering information. Provide guidance on locating relevant primary and secondary sources from a variety of viewpoints that address the essential question. Your school librarian may be able to support you and your students in this section. Review the importance of including multiple views and how to evaluate sources. If your students are not familiar with primary and secondary sources you might begin with a review or instruct students to read through Research 101 on the University of Washington Libraries web or use the Library of Congress Learning Page for using primary and secondary sources:

- Research 101: <http://www.lib.washington.edu/uwill/research101/basic00.htm>
- The Historian's Sources: What Are Primary Sources? <http://lcweb2.loc.gov/learn/lessons/psources/pshome.html>

#### **Primary sources are:**

- Original records created at the time historical events occurred or well after events in the form of memoirs and oral histories.
- Unedited, firsthand access to words, images, or objects created by persons *directly involved* in an activity or event or *speaking directly* for a group. This is information *before* it has been analyzed, interpreted, commented upon, spun, or repackaged.
- May include letters, manuscripts, diaries, journals, newspapers, speeches, interviews, memoirs, documents produced by government agencies such as Congress or the Office of the President, photographs, audio recordings, moving pictures or video recordings, research data, and objects or artifacts such as works of art or ancient roads, buildings, tools, and weapons.
- Serve as the raw material to interpret the past, and when they are used along with previous interpretations by historians, they provide the resources necessary for historical research.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### Secondary sources are:

- Commentary upon, or analysis of, events, ideas, or primary sources.
- Often written significantly after events by parties not directly involved but who have special expertise, they may provide historical context or critical perspectives.

**Source of definitions:** University of Washington Information Literacy Learning 2001-2004  
<http://www.lib.washington.edu/uwill/research101/basic00.htm>

---

### ACTIVITY 3.1 – LOCATING RELEVANT PRIMARY AND SECONDARY SOURCES

Students work in small groups to locate relevant primary and secondary sources from a variety of viewpoints that address the essential question. These can include articles, websites, maps, photos, and interviews with primary sources/grandparents, related to the topic. Students may start by looking at the resource list in this packet (**Handout #10**). For more resources, encourage them to consult the World Affairs Council's resource booklet on Russia (<http://www.world-affairs.org/globalclassroom/resources/2007-11-07%20-%20Web%20Version,%20Russia.pdf>). Remind students to consider the reliability of the sources they are consulting. Review criteria for evaluating websites. Advise students to use the questions (**Handout #4**) from Activity 1.4 (Collecting and Assessing Background Information) to help students evaluate their sources. This activity can be conducted over the next few days as they continue with the following activities.

---

### ACTIVITY 3.2 – DEVELOPING AN ANNOTATED BIBLIOGRAPHY

Students work in small groups to develop an annotated bibliography of articles, websites, maps, photos, and interviews with primary sources related to the topic. Students may start by looking at the resource list in this packet. Remind students that the purpose of creating an annotated bibliography is to explore the usefulness of information as well as the reliability of sources. For information on creating an annotated bibliography see: <http://www.library.cornell.edu/olinuris/ref/research/skill28.htm>. Next, review criteria for evaluating websites. The following site from Valparaiso University provides a helpful list of criteria (note particularly the section on “purpose/point of view”) as well as links to more information on analyzing websites: <http://www.valpo.edu/library/userevaluation.html#criteria>.

In the middle of the research process, allow some time for groups to share some of their best resources with other groups, to ensure that every group will be successful in finding relevant documents.

---

### ACTIVITY 3.3 – ORGANIZING INFORMATION

Instruct students to organize information from their notes using the graphic organizer to help show the connection between various factors and the conflict. The graphic organizer can be found at the end of this packet (**Handout #11**) or on the OSPI website: <http://www.k12.wa.us/assessment/WASL/SocialStudies/BridgingDocuments/HighSch08/HSHistory-CausesofConflict-SupportMaterials.pdf>.

---

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### ACTIVITY 3.4 – ANALYZING INFORMATION

Students work in their groups to analyze the information they have found and complete the graphic organizer. Students should be encouraged to completely fill out the graphic organizer provided by OSPI. This will ensure successful completion of the tasks and sub-tasks required in the CBA. Remind students to also make use of the Student Checklist. Some students may discover that they lack information for one piece or another. You might allow more time in class for research or ask students to do this for homework.

---

### ACTIVITY 3.5 – CONSTRUCTING A TIMELINE

Working in groups, instruct the students to develop a timeline of the conflict's significant events. Encourage them to use terms from the vocabulary exercise.

---

### ACTIVITY 3.6 – WRITING THE ESSAY

Distribute the Causes of Conflict scoring rubric (**Handout #12**).

Review the requirements:

- 1) State a position on why a factor (or factors) played a primary role in causing the conflict AND find similarities between this conflict and current conflicts.
- 2) Provide reason(s) for your position that include:
  - An evaluation of factors causing the conflict from two or more of the following social science perspectives:
    - geographic
    - political
    - economic
    - cultural
    - sociological
    - psychological
  - Relevant information from two or more primary sources to support reasons for the position.
- 3) Make explicit references within the paper or presentation to three or more credible sources that provide relevant information AND cite sources within the paper, presentation, or bibliography.

Arrange for students to present their essays to the class.

---

## **HANDOUT #1 – INTRODUCTION TO SAKHALIN II WORKSHEET**

Watch the PBS video by Nick Guroff “Russia: Island on the Edge – A Rough, New Energy Frontier” and answer the following questions. Be prepared to discuss your answers in class. The video and additional background information can be found online at: [http://www.pbs.org/frontlineworld/rough/2007/05/russia\\_island\\_o.html#](http://www.pbs.org/frontlineworld/rough/2007/05/russia_island_o.html#).

- 1) What is the setting and time period addressed in the video? How would you describe the environment?
  
- 2) What conflict(s) does the video address?
  
- 3) Who are the stakeholders and why are they in conflict?
  
- 4) What historical events are you aware of that might help you better understand this conflict?
  
- 5) What is the source of the information in the video? What do you know about the source?
  
- 6) Does the journalist present multiple views? What and whose are they? Are there any views missing that you believe might be important to hear? If so, whose are they?
  
- 7) Could this conflict in any way have an impact on your way of life? Why or why not?



## **HANDOUT #2 – CAUSES OF CONFLICT SCENARIO**

The purpose of the following scenario is to review how historical and economic strands affect/influence conflict. Working in a group, consider the following scenario, answer the subsequent questions, and be prepared to discuss your answers in class.

### **CAUSES OF CONFLICT SCENARIO**

Imagine your company is ranked at the top globally in energy sales and your main competitor develops a new product that cuts your business in half. Next, many of your employees leave to work for your competitor or start their own companies. You have fallen from glory and now everyone looks down on you as a failure, a loser. Only a shadow of your former self, your competitor comes to you offering to invest billions of dollars into your company to get your products to the global market. All the company asks is that you exempt it from paying taxes and once it recovers its initial investment, you can have 10 percent of the profits. You are broke and have no other means for getting your product to the market so you agree to the deal even though the terms are not that favorable for you. After all, it will cost billions of dollars to develop the product with technology that you don't have in a region that is extremely harsh and difficult to work in.

As the years go by, the value of your product multiplies. Your economy is now booming and you find demand for your product has risen exponentially. Customers are lining up to purchase your product and you suddenly find your seat at the bargaining table is much better. Meanwhile, your former competitor is still busy investing and building the infrastructure to get more product to the market and explains that it underestimated the initial investment required to develop the product. As a result, it will be much longer before you see any profit from your own product. At the same time, you are getting numerous complaints concerning the business practices of this company and how the foreign company is treating your property. You begin to feel that you are not respected and are being taken advantage of in your own business. You begin to question who is really in charge as your attempts to discuss the problems with the other company seem to fall on deaf ears.

Discussion questions:

- 1) How does this history affect how you feel about the other company?
- 2) How do historical and economic factors affect or influence the conflict?
- 3) Is this history important to how you will conduct business today? If so, how?
- 4) In making future decisions about your business will you listen to your competitor or focus on your own interests?
- 5) What in the history of this relationship influences how you feel about the other company today? Why?
- 6) What role did trust play in this scenario and how does the past affect the level of trust you have today?



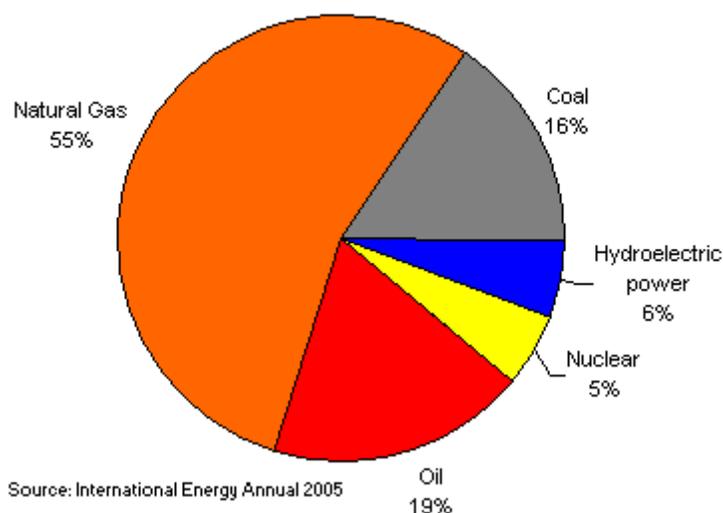
### HANDOUT #3 – COUNTRY ANALYSIS BRIEF FOR RUSSIA (Energy Information Agency Official Statistics for the U.S. Government)

*Russia holds the world's largest natural gas reserves, the second largest coal reserves, and the eighth largest oil reserves. Russia is also the world's largest exporter of natural gas, the second largest oil exporter and the third largest energy consumer.*

#### Background

In 2007, Russia's real gross domestic product (GDP) grew by approximately 8.1 percent, surpassing average growth rates in all other G8 countries, and marking the country's seventh consecutive year of economic expansion. Russia's economic growth over the past seven years has been driven primarily by energy exports, given the increase in Russian oil production and relatively high world oil prices during the period. Internally, Russia gets over half of its domestic energy needs from natural gas, up from around 49 percent in 1992. Since then, the share of energy use from coal and nuclear has stayed constant, while energy use from oil has decreased from 27 percent to around 19 percent.

**Total Energy Consumption in Russia, by Type (2005)**



Russia's economy is heavily dependent on oil and natural gas exports. In order to manage windfall oil receipts, the government established a stabilization fund in 2004. By the end of 2007, the fund was expected to be worth \$158 billion, or about 12 percent of the country's nominal GDP.

According to calculations by Alfa Bank, the fuel sector accounts for about 20.5 percent of GDP, down from around 22 percent in 2000. According to IMF and World Bank estimates, the oil and gas sector generated more than 60 percent of Russia's export revenues (64% in 2007), and accounted for 30 percent of all foreign direct investment (FDI) in the country.

Kremlin policy makers continue to exhibit an inclination to advance the state's influence in the energy sector. Taxes on oil exports and extraction are still high, and Russia's state-influenced oil and gas companies are obtaining controlling stakes in previously foreign-led projects. State-owned export facilities have grown at breakneck pace, while private projects have progressed more slowly or have been met with roadblocks by state-owned companies or by various government agencies.

#### Oil Exports

Russia's production growth in the upcoming decade will depend on the availability of viable ex-

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

port routes for the country's crude oil. Transneft currently has a monopoly over Russia's pipeline network.

### **Destinations of Russian Oil Exports**

During 2007, Russia exported almost 4.4 million bbl/d of crude oil, and over 2 million bbl/d of oil products. Roughly 1.3 million bbl/d were exported via the Druzhba pipeline to Belarus, Ukraine, Germany, Poland, and other destinations in Central and Eastern Europe (including Hungary, Slovakia, and the Czech Republic), around 1.3 million bbl/d via the new flagship Primorsk port near St. Petersburg, and around 900,000 bbl/d via the Black Sea.

The majority of Russia's oil exports transit via Transneft-controlled pipelines, but around 300,000 bbl/d of oil is transported via other non-Transneft-controlled sea routes or via rail. Because of higher world oil prices recently, almost 170,000 bbl/d of Russia's oil is transported via railroad.

### **Oil Product Exports and Balance**

Most of Russia's product exports consist of fuel oil and diesel fuel, which are used for heating in European countries and, on a small scale, in the United States. Russian oil exports to the U.S. have almost doubled since 2004, rising to over 400,000 bbl/d of crude oil and products in 2007.

Updated monthly and annual data are available from EIA's Petroleum Navigator. Increases in product exports can be attributed to political pressures to maintain refinery operations and higher international oil product prices. A draft plan for the refining sector's development for 2005-2008 foresees continued increases in the production of high quality light oil products, catalysts and raw material for the petrochemical industry. As production of fuel oil is reduced, local refineries are only meeting about half of the country's demand for high octane gasoline. Consequently, Russia must import the remainder.

In the last ten years OECD Europe's reliance on Russian crude exports has grown from around 12 percent of total crude imports to around 29 percent in 2007.

Source: EIA, <http://www.eia.doe.gov/emeu/cabs/Russia/Background.html>

## **HANDOUT #4 – REVIEWING AND ASSESSING BACKGROUND INFORMATION**

Read the article you have been assigned and answer the following questions. Be prepared to discuss your article and your answers in class.

Name of text:

Date:

Source:

- 1) What do you know about the source of your text?
  
- 2) How is this source involved in the development of Sakhalin II?
  
- 3) What is the position of the source regarding the development of Sakhalin II?
  
- 4) Is there any mention of controversy or conflict regarding the development of Sakhalin II? If so, what is the controversy or conflict? If not, why might this be the case?
  
- 5) Does your text represent a single view or multiple views? Whose view(s) are they?
  
- 6) What view(s) might be missing?
  
- 7) Does the author wish to inform or persuade others? (Check the words in the source. The words may tell you whether the recorder was trying to be objective or persuasive.) Does the author have reasons to be honest or dishonest?
  
- 8) Using the chart below, what factors are mentioned in your text? What, if any, is your source's perspective on the following issues?

<i><b>Economic Factors for Each Stakeholder</b></i>	<i><b>Historical Factors for Each Stakeholder</b></i>
<ul style="list-style-type: none"> <li>• <i>Natural resources</i></li> <li>• <i>Human migration effects</i></li> <li>• <i>Characteristics of each economic system</i></li> <li>• <i>Problems of scarcity</i></li> <li>• <i>Specialization and comparative advantage</i></li> <li>• <i>Role of supply and demand</i></li> <li>• <i>Role of government(s)</i></li> </ul>	<ul style="list-style-type: none"> <li>• <i>Cultural differences</i></li> <li>• <i>Effects of technological changes</i></li> <li>• <i>Comparison of political systems</i></li> <li>• <i>Impact of historical events</i></li> <li>• <i>Constraints of physical environment</i></li> </ul>

Source: OSPI website, <http://www.k12.wa.us/assessment/WASL/SocialStudies/HighSchool.aspx>



## HANDOUT #5 – SAKHALIN ISLAND BRIEF

(Energy Information Agency Official Statistics for the U.S. Government)

*Sakhalin Island's oil and gas resources are being developed by international consortia. Sakhalin I's oil production reached 240,000 bbl/d in February 2007, and Sakhalin II produces oil for six months of the year at a rate of roughly 60-80,000 bbl/d. Other areas around Sakhalin Island are still in early stages of development.*



### General Background

Recoverable oil reserves around Sakhalin Island are estimated at almost 7 billion barrels, and natural gas reserves at approximately 80 trillion cubic feet by IHS Energy. International consortia have entered into production sharing agreements (PSAs) to develop the resources. Even though all of the consortia have extensive export plans (including to the United States) via LNG terminals and export pipelines to the mainland, there has been little progress except on the first two parts of Sakhalin Island: Sakhalin I and Sakhalin II.

### Sakhalin I

The Sakhalin I project is led by Exxon Neftegaz, in conjunction with consortium members SODECO, ONGC Videsh, and two Rosneft subsidiaries (Sakhalinmorneftegaz and RN Astra). Via its subsidiaries, Rosneft holds a 20 percent share in the project. The \$6.5 billion dollar first phase of the project will entail development of the Chayvo field, and subsequent phases will develop the Odoptu and Arkutun Dagi fields. Total capital expenditure for the project, approved back in 2003, is set at \$12.8 billion. Around \$3.4 billion were spent during 2005 and 2006 combined.

Consortium members began drilling in May 2003, and commercial production from the Chayvo field began in October 2005. The consortium announced the field had reached maximum production in February 2007 at around 240,000 barrels per day (bbl/d) of oil and 140 million cubic feet per day (mmcf/d) of natural gas. The field is expected to produce around 30-40,000 bbl/d less in 2008 than in 2007. Output is being

pipled to the Russian port of De-Kastri where natural gas is then pumped into the Russian system and oil is exported to international markets. Most of the oil is shipped to markets in east Asia, two to five sailing days away.

### Natural Gas Exports

The mode of natural gas exports from Sakhalin I has not been decided as of yet, but the project is supplying natural gas to the local area. ExxonMobil would like to send the natural gas to the south via pipeline to China, yet other shareholders and Gazprom prefer marketing natural gas as LNG via Sakhalin II, which would require an expansion of the facilities there.

### Sakhalin II

The Sakhalin II project is being developed under a PSA that now includes Gazprom, Shell, Mitsubishi, and Mitsui. The consortium members have estimated that the project's cost will total more

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

than \$20 billion, making the project the largest single foreign investment in Russia. To date, around \$13 billion has already been spent.

In February 2007, Gazprom announced it would pay \$7.45 billion for a 50 percent plus one share in Sakhalin Energy. Shell will keep 27.5 percent less one share, Mitsui 12.5 percent and Mitsubishi 10 percent. Gazprom intends to play a leading role as the major shareholder, but Shell will remain technical advisor.

In July 2005 Shell estimated recoverable reserves at 17.3 Tcf of natural gas and 1 billion barrels of liquids. From the Vitayez platform, Sakhalin II has been producing 60,000 bbl/d of oil during ice-free summer months since July 1999, and Phase II of the project should lead to full-year oil production (roughly 160,000 bbl/d) by early 2009.

Sakhalin II will supply natural gas to the United States, Japan and South Korea. In late 2004, Sakhalin Energy signed a contract with Coral Energy to supply 1,800 billion cubic feet (bcf) of LNG over 20 years to a power plant on the border of California and Mexico. The LNG will be delivered via tanker to the Energia Costa Azul terminal being constructed in Baja California, Mexico. In March 2004, Sakhalin II announced the sale of 300,000 tons of LNG per year to Japan's Tokyo Gas and Tokyo Electric Power (TEPCO) starting in summer 2008. In July 2005, the project operators announced a 20-year sales agreement of 1.6 million tons per year of LNG to Korea Natural Gas (KOGAS).

The state Japan Bank for International Cooperation (JBIC) will likely continue to offer funding for the project, but it is uncertain whether the European Bank for Reconstruction and Development (EBRD) will approve a previous request for a \$300 million loan.

Due to concerns about disturbing the gray whale population, the consortium announced in 2005 that it would be rerouting some of the pipelines which lead from the platforms to the shore-based processing facilities. For these reasons, LNG production has been delayed until at least 2008, and year-round oil production has been delayed until at least late 2008.

Source: EIA, <http://www.eia.doe.gov/emeu/cabs/Sakhalin/Background.html>

## HANDOUT #6 – INTERVIEW: ENERGY ANALYST LOOKS AT SAKHALIN II TAKEOVER (12/22/06)

December 22, 2006 (RFE/RL) -- Anglo-Dutch giant Shell and two Japanese companies have announced they will cede their majority stake in the Sakhalin II energy project to Russia's state-controlled natural gas monopoly, Gazprom, for \$7.45 billion. Sakhalin II is the largest combined oil and natural-gas development in the world. Its passage into state hands has been seen as another successful Kremlin effort to reestablish control over Russia's energy production.

**Russia holds all the cards in the sense that there is nowhere to go in the world, as far as I'm concerned, which offers the kind of resource opportunities that Russia offers. On the other hand, I think what investors know and knew even before this, is that you're not going to get a majority stake in a project.**

RFE/RL correspondent Jeremy Bransten spoke with Jonathan Stern, director of the gas program at Britain's Oxford Institute For Energy Studies, about the impact the news will have on foreign investment in Russia.

**RFE/RL:** The Shell-led consortium was under pressure from Russia's environmental-protection authorities, who threatened it with billions of dollars in potential fines for causing ecological damage. Was there any truth, in your opinion, to the charges -- or were they just a pretext to force the consortium to sell its stake to Gazprom, especially after Shell announced huge cost overruns?

**Jonathan Stern:** We've been hearing about environmental problems from the NGOs for many years. So those of us who followed the project knew about the environmental problems. [Until recently] the Russians did not appear to have taken them on board. What clearly became evident, when the full extent of the cost overrun was understood, was that the position from the Russian side was untenable, which was that they were not going to get any money from this project for a very long time. And that was really the main problem for the Sakhalin II partners -- what to do about that situation.

**RFE/RL:** Can you explain why the cost overrun, from \$10 billion to \$22 billion, was untenable for Moscow? Was it because it meant the Kremlin realized it wouldn't be making money from Sakhalin II for much longer than it had anticipated?

**Stern:** It appears that the PSA [production-sharing agreement] was of a very old variety, whereby the government got absolutely nothing until all the costs had been recovered. That's an early version of PSAs that mostly is not used anymore. In other words, PSAs still allow for cost overruns, basically saying that if there's a cost overrun, the costs of that will be shared between the partners and the state. This PSA basically appears to say that whatever the costs of the projects are, the state gets nothing until those costs are recovered. And I think that's unacceptable.

**RFE/RL:** So, in your opinion, Moscow had a case for breaking the deal with the Shell consortium. But do you agree it's part of a pattern in which the Kremlin has tried to reestablish control over the energy sector?

**Stern:** Having said that, it's absolutely true that the Russian government is determined to gain control over major energy projects on its territory. And the question that we will never know is if there had not been this cost overrun, would the Sakhalin II project have suffered a similar fate? We'll never know the answer to that.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

**RFE/RL:** What is the impact going to be on other foreign investors, especially in the energy sector? Will this scare them off?

**Stern:** I think it sends a warning. But I think if you said to any foreign company: you've got a cost overrun of twice the capital costs of the project, do you think you're going to get problems? The answer would be: well, yes. So for me, Russia holds all the cards in the sense that there is nowhere to go in the world, as far as I'm concerned, which offers the kind of resource opportunities that Russia offers. On the other hand, I think what investors know and knew even before this, is that you're not going to get a majority stake in a project. In fact, you're probably not going to get much more than 30 or 40 percent, if you're lucky and you need a strong Russian partner. And the Russian state, in the end, will call all the shots.

**RFE/RL:** What about other energy-rich markets around the world? Don't they offer a better deal to investors?

**Stern:** Once you move outside the North Sea and North America, wherever you want to go: Latin America, the Middle East, CIS countries – if you can get in – those are the conditions you're going to face.

**RFE/RL:** How reliant is Russia going to be on foreign technology to extract oil and natural gas in the future? Some reports say that despite its huge reserves, Russia could run short of natural gas soon, because domestic demand will outstrip supply – and that it needs Western savvy to tap currently inaccessible reserves.

**Stern:** I think that's the wrong way to look at the problem. The problem that Gazprom is facing is that it's got excess demand at home, because prices are far too cheap. And like any commodity, if you underprice the commodity, you're going to get excess demand. What they've done, in the last few weeks is to foreshadow a significant increase in domestic prices, which in my view within a couple of years will choke off demand. There's nothing that Western technology can do within a couple of years to dramatically change this situation.

Radio Free Europe/Radio Liberty © 2008 RFE/RL, Inc. All Rights Reserved  
*Copyright (c) 2008. RFE/RL, Inc. Reprinted with the permission of Radio Free Europe/Radio Liberty, 1201 Connecticut Ave., N. W. Washington DC 20036*

## **HANDOUT #7 – GAZPROM PRESS RELEASE: GAZPROM BECOMES SHAREHOLDER OF SAKHALIN II PROJECT (4/18/07)**

Today the shareholders of Sakhalin Energy Investment Company Ltd. (being operator of the Sakhalin II project) and Gazprom signed a Purchase and Sale Agreement. In accordance with the Agreement the parties will end up the process of share transfer to Sakhalin Energy.

The said deal was made in pursuance with the Protocol signed between the companies on December 21, 2006 in Moscow. In accordance with the Protocol terms, Gazprom will purchase a 50 per cent stake plus 1 share in Sakhalin Energy for U.S.\$ 7.45 bln. Each of Sakhalin Energy's shareholders (Royal Dutch Shell plc, Mitsui & Co., Ltd. and Mitsubishi Corporation) will decrease its stake by 50 per cent with recompense to be allocated on a proportional basis.

As a result, Gazprom will own a 50 per cent stake plus 1 share, Shell, Mitsui and Mitsubishi - 27.5 per cent stake, 12.5 per cent and 10 per cent of shares, respectively.

In the frames of the project due to the contracted LNG volumes, Sakhalin II provides stable position of new and reliable energy supplier on energy map of the world. Additionally, the accord achieved in relation to the Area of Mutual Interest would embrace opportunities to further Sakhalin II project expansion due to construction of additional technological lines for LNG plant.

On April 16, the Ministry of Natural Resources of the Russian Federation approved the amended Plan on Environmental Measures prepared by Sakhalin Energy due to participation of all shareholders. The Plan stipulates measures and tasks to maintain biological diversity of the Sakhalin Island including fish population as well as exotic species of flora and fauna.

“Joining the Sakhalin II project provides a powerful impetus for accomplishing a large-scale project in the energy supply sector to Asia Pacific countries and North America. It will stimulate implementing a stage-by-stage entering strategy on the world LNG market,” said Alexander Medvedev, Deputy Chairman of the Gazprom Management Committee.

“We are happy to have Gazprom in the Sakhalin II project. This event along with the approval of the Plan on Environmental Measures by the state authorities is an important step towards successful implementation of the project. The accord achieved in relation to the Area of Mutual Interest will provide further growth opportunities,” stipulated Malcolm Brinded, the Executive Director of Exploration & Production of Shell.

“Mitsui is happy to have Gazprom in the Sakhalin II project. I am confident that within Gazprom's joining Sakhalin Energy as the main shareholder, the new shareholding structure in cooperation with the Russian Federation authorities will provide implementation of the first Russian LNG project in compliance with the schedule supplying LNG to Japanese, Korean and American consumers. Today's event will stipulate further strengthening of cooperation between Russia and Japan as well as further development of the Sakhalin region,” said Hiroshi Tada, Executive Managing Officer and Executive Vice President of Mitsui.

“Mitsubishi is happy to have Gazprom as the main shareholder in the project. I am sure that the new shareholding structure is an optimal to provide a timely start for LNG deliveries for Japan and Korea as well as the West Coast of North America. This important step will enable Sakhalin Energy to become a major LNG supplier on Asia Pacific market,” underlined Hisanori Yoshimura, Executive Vice President of Mitsubishi.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

*Reference: Sakhalin is a new world-class oil & gas province with the reserves valued at 45 billion barrels of oil equivalent. The Sakhalin II project is the world's largest comprehensive oil & gas project with the licensed reserves averaging 4 bln barrels of oil equivalent.*

*The present-day production potential of Sakhalin II is 80 thousand barrels of oil equivalent per day. Thanks to Development Phase 2, the project production potential will grow to 340 thousand barrels of oil equivalent per day, taking account of 9.6 mln tons of LNG to be produced per annum.*

*The work scheduled for Phase 2 has been completed by nearly 80 per cent, with some US\$ 12 bln so far invested. At present 17 thousand people are involved in the construction work, with 70 per cent being the Russian Federation citizens. Under the contracts with customers from Asia Pacific, the project partners have so far sold the amount of LNG equal to the projected capacity of an LNG plant.*

*The Sakhalin II project is regulated by a Production Sharing Agreement (PSA); the project shareholders finance construction expenses, undertake the project related risks and offset these expenses by oil and gas sales. As of today, the total project revenues of the Russian Federation in the form of royalties, bonuses and taxes have accounted for almost US\$ 600 mln.*

*The Sakhalin II project covers:*

- *Three marine production platforms: Molikpak (Piltun-Astokhskaya - A), Piltun-Astokhskaya - B and Lunskaya as well as an offshore pipeline system with a total length of 300 km;*
- *An integrated coastal technology compound designed for the receipt and treatment of gas and oil produced in both fields;*
- *Onshore 800-km-long oil and gas pipelines running to the South of the Island;*
- *An oil exporting terminal with the all-the-year-round operating capacity;*
- *Russia's first LNG plant and LNG exporting installations;*
- *Upgrading activities for onshore infrastructure: motor and rail roads, bridges, sea ports and airports, health care facilities.*

*On December 21, 2006 OAO Gazprom, Royal Dutch Shell plc (Shell), Mitsui & Co., Ltd. (Mitsui) and Mitsubishi Corporation (Mitsubishi) have signed a Protocol on Gazprom's joining Sakhalin Energy Investment Company Ltd. (Sakhalin Energy) as the main shareholder.*

*The amended budget of the project's second stage for the period up to 2014 was presented to the Russian side in terms of the PSA in 2005 and was precisely studied by the relevant Russian governmental and expert organizations. On April 16, 2007 the budget was approved at the Supervisory Board meeting of the Sakhalin II project.*

**Source:** Gazprom, <http://www.gazprom.ru/eng/news/2007/04/23260.shtml>

**HANDOUT #8 – PRESS RELEASE: SHELL'S SAKHALIN II –  
RUSSIAN ENVIRONMENT AGENCY EXPECTED TO CONFIRM  
HISTORY OF VIOLATIONS (11/28/06)**

Contact:

Dmitry Lisitsyn, Sakhalin Environment Watch, +81 090 57662740 (until Dec. 2); sakhalinwatch@yandex.ru

Igor Chestin, Director, WWF Russia; +7-495-727-09-39; ichestin@wwf.ru

Doug Norlen, Pacific Environment, +1-202-465-1650 (Until Nov. 30); dnorlen@pacificenvironment.org

The Russian Environmental Inspection Agency is believed to be completing a comprehensive report this week that includes evidence that Royal Dutch/Shell's massive Sakhalin II oil and gas project[1] in the Russian Far East has committed extensive violations of Russian environmental laws. Independent analysis conducted over nearly a decade by Russian and international environmental organizations, including information provided in recent months to the Russian Environmental Inspector, confirms this pattern of violations.

Beginning in 1997 and continuing regularly over the last nine years, Russian and international environmental groups have submitted documented evidence of environmental damage from Sakhalin II to the Russian authorities and international bankers who have considered financing for the project. This damage represents violations of Russian law and the policies of the European Bank for Reconstruction and Development (EBRD), the Export Credit Agencies of the United States, United Kingdom, Japan, and the private banks signatory to the Equator Principles. As a result, these banks have delayed financing decisions for several years, stalling over \$5 billion in potential financing.

Now, the Russian Ministry for Natural Resources is taking environmental enforcement action against Sakhalin II, seeking to hold Shell accountable for the damage the project has created on Sakhalin Island during project construction. While it is unfortunate that local branches of the Russian Environmental Inspection Agency initially failed to act on growing evidence of violations of Russian law, it does not change the substance of Shell's irresponsible behavior. The well-documented violations of Russian law and of international finance institution policy by Shell and the Sakhalin II project is not obviated by ongoing speculation of the motivations of the Russian Government and of Royal Dutch/Shell.

Concerns that environmental groups hope will be covered by Russian Government investigation include:

**Salmon and aquatic impacts:** Much of the Russian government's attention is focused on the environmental impacts of the 800 kilometer of oil and gas pipelines that criss-cross 1,103 watercourses. Many of these watercourses provide spawning and rearing habitat for important wild salmon, including the endangered Sakhalin taimen, as well as fresh water for communities. The waterways are vital to Sakhalin's economy, the fishing industry, and Sakhalin's indigenous peoples. Violations are expected to include:

- Widespread erosion damage and failed or absent control measures;
- Mass dumping of erosion-prone construction spoils near rivers;
- Damage to the hydrology of tributaries to salmon spawning rivers;
- Violations of Shell's promises and obligations to avoid construction during the spawning season and during spring migration of juvenile salmon;
- Illegal construction of bridges, including the construction of bridges without water use licenses.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

**Other Pipeline Corridor Damage:** Much additional environmental harm stems from inferior design and construction practices elsewhere on the pipeline corridor. This damage includes:

- Failure to account for geohazards, including earthquake faults and unstable slopes and the consequent risks of landslides and pipeline ruptures;
- Exceeding approved pipeline corridor width over large areas, including in protected areas;
- Illegal siting of large amounts of waste rock in unlicensed areas, leading to landslides and stream pollution;
- Pipeline construction in areas prone to landslides;
- Unapproved re-routing of the pipeline corridor.

Off-shore platforms: Russian authorities are concerned about reports of design flaws in off-shore oil platforms and wells, including concerns by former Shell managers about the risks posed by wells drilled through faults and gas pockets and the consequent risks of blowouts.

**Aniva Bay:** During construction of the Liquid Natural Gas (LNG) terminal, around two million tons of dredging waste materials were dumped into Aniva Bay. Over 500,000 tons of wastewater will enter into this bay annually as a result of the Sakhalin II project. As a result:

- Waste dumped into the rich fisheries of Aniva Bay greatly exceeded permitted levels;
- Waste has diminished the habitat of crab, shrimp, scallop, and sea urchin, with negative impacts on the fisheries industry and subsistence fishing;
- Inspections by the Russian Environmental Inspection Agency of the seabed in Aniva Bay confirm that Shell left soil that should have been used for covering the pipeline trench in temporary storage areas. This soil is becoming a source of water pollution for Aniva Bay, impacting benthos.

**Oil Spills:** The Sakhalin II project will operate in difficult climatic and seismic conditions, including high earthquake activity, heavy ice pack, and frequent storms. The island's seismic hazard is just one that has not been addressed adequately in pipeline engineering. The conditions in which this project operates are so hazardous that experts acknowledge the potential for catastrophic oil spills, including tanker spills on the scale experienced in the Exxon Valdez calamity in Alaska or the Prestige disaster in Portugal.

Sakhalin II has already caused a significant oil spill when a company-contracted dredger grounded on September 8, 2004 at Kholmsk, spilling its load of fuel oil. The spill sent citizens to the local hospital with respiratory problems, while Shell's failed spill response left a popular beach spoiled.

Shell has only provided draft oil spill response plans for the Piltun-Astokh deposit area and Aniva Bay. The Russian Environmental Inspection Agency has determined that these plans are not satisfactory and has returned them to the company for completion. The Russian government is still waiting for Shell to produce oil spill response plans for other parts of the Sakhalin II Project.

**Compliance with Russian Government Requirements:** Shell has not met demands by the Russian Environmental Inspection Agency, including demands that were stated in an official document – Prescription of Sakhalin RPN, from September 18 – to provide for government expert review for:

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

- Individual design decisions to construct the pipeline corridor through areas in Dolinsky and Makarovsky Districts prone to erosion and landslides;
- Designs for recultivation of areas damaged by siting or temporary siting of soil;
- Individual design decisions for construction within the Pul'ka River valley.

Environmental groups hope that the Russian Environmental Inspection Agency's report will demonstrate that Shell is continuing a pattern of obstructing the agency's inspection activities, refusing to cooperate with the Russian government, and ignoring Russian government requirements, despite Shell's public statements to the contrary.

**Conclusion:** Environmental problems with the Sakhalin II project have been well-documented by Russian and international environmental organizations since the start of Sakhalin II project construction in 1997. Environmental groups involved in the Sakhalin II campaign do not have a position about which company is best able to implement the Sakhalin II project in a sound manner. However, environmental groups welcome efforts by the Russian Ministry of Natural Resources to enforce Russia's environmental regulations in regards to the massive Sakhalin II project and to hold project operators accountable for correcting the environmental damage caused by the project. Environmental groups believe that the Sakhalin II project should only be allowed to move forward after it is significantly changed to comply with Russian environmental regulations and best international practices. Environmental groups also hope that a positive consequence of the current Russian government actions will be increased attention to environmental standards followed by other oil and gas companies operating on Sakhalin and elsewhere in Russia.

### Sources:

[www.sakhalin.environment.ru/](http://www.sakhalin.environment.ru/)  
[www.pacificenvironment.org/](http://www.pacificenvironment.org/)

### Notes:

[1] *The enormous Sakhalin II on-shore and off-shore oil and gas project at Sakhalin Island in the Russian Far East includes two off-shore oil and one off-shore gas drilling platforms, undersea platform-to-shore pipelines, on-shore oil and gas processing facilities, 800 kilometers of on-shore pipelines, the world's largest liquefied natural gas (LNG) processing and export facility, oil export facilities and consequent outgoing tanker passage. Registered in Bermuda, the, Sakhalin Energy Investment Company, a consortium led by Shell, states that, at a cost of over \$20 billion, Sakhalin II is the largest single integrated oil and gas project ever undertaken.*



## HANDOUT #9 – KEY CONCEPTS AND VOCABULARY

### Terms and Definitions

Capitalism (Market Economy):

Command Economy (Planned Economy):

Cold War:

Former Soviet Union/Near Abroad:

Gazprom:

Glasnost:

Medvedev, Dmitri:

Perestroika:

Putin, Vladimir:

Shock-Therapy:

Super Power:

Former Soviet Union/Near Abroad:

Yeltsin, Boris:

### Energy-related Terms

Coal:

Crude Oil:

Electricity:

Liquid Natural Gas:

Natural Gas:

Nuclear Energy:

Petroleum:



## HANDOUT #10 – RESOURCES

### Background

#### **CIA World Factbook**

<https://www.cia.gov/library/publications/the-world-factbook/index.html>

#### **Council on Foreign Relations**

<http://www.cfr.org/publication/12327/>

Provides some general background information in a Q&A format regarding Russia's energy disputes (2007).

#### **Embassy of the Russian Federation in the United States**

<http://www.russianembassy.org/>

#### **Energy Information Agency**

<http://www.eia.doe.gov/>

Comprehensive resource for information on domestic and international energy statistics, energy basics, background information, kids page and an in-depth glossary:

Glossary – <http://www.eia.doe.gov/glossary/index.html>

Sakhalin – <http://www.eia.doe.gov/emeu/cabs/Sakhalin/Background.html>

Russia – <http://www.eia.doe.gov/emeu/cabs/Russia/Background.html>

#### **Library of Congress: A Country Study: Soviet Union (former)**

<http://lcweb2.loc.gov/frd/cs/sutoc.html>

#### **Pacific Environment**

<http://www.pacificenvironment.org/index.php>

Pacific Environment is a non governmental organization protecting the living environment of the Pacific Rim by promoting grassroots activism, strengthening communities and reforming international policies. Features great Pacific Rim quiz.

#### **Radio Free Europe/Radio Liberty Special Report – Energy Politics in Russia and the Caspian Sea Region**

<http://www.rferl.org/specials/caspian/>

This RFE/RL special report, stretching back to 1997, documents the variety and complexity of energy politics and policies across the former Soviet Union as they become matters of increasing global concern. These years of reports, features, and analyses also test one of the abiding quotes of the 19th-century German statesman Otto von Bismarck. "The secret of politics? Make a good treaty with Russia," he is reported to have said.

#### **Russia Journal**

<http://www.russiajournal.com/>

Nearly 20,000 stories from print editions of the newspaper published 1998-2005 are available in web and PDF formats at this site. The Russia Journal had been published in Moscow since 1998. It published its last print edition in December 2005 and continued publishing on the web till 2007. Free access to Russia Journal archives is provided for personal reading use only.

#### **Sakhalin Energy**

<http://www.sakhalinenergy.ru/en/default.asp>

The official website of Sakhalin Energy, the consortium of oil companies that is developing and operating Sakhalin II oil and gas project.

#### **Sakhalin Environment Watch -- Sakhalin Oil and Gas Project**

<http://www.sakhalin.environment.ru/en/>

Sakhalin Environment Watch organizes citizen monitoring of energy development on the island. The site includes links to news articles and press releases about environmental violations.

#### **The World Bank**

<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/ECAEXTRUSSIANFEDERATIONEXTN/0,,menuPK:305605~pagePK:141159~piPK:141110~theSitePK:305600,00.html>

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### U.S. Department of States Country Information for Russia

<http://www.state.gov/p/eur/ci/rs/>

### U.S. Department of State Background Notes for Russia

<http://www.state.gov/r/pa/ei/bgn/3183.htm>

### World Wildlife Foundation - Sakhalin II Oil and Gas Development Project

[http://www.panda.org/about\\_wwf/where\\_we\\_work/europe/where/russia/sakhalin/index.cfm](http://www.panda.org/about_wwf/where_we_work/europe/where/russia/sakhalin/index.cfm)

Features background information on the project as well as articles and a timeline of developments detailing environmental concerns related to the project.

### Wild Salmon Center – Russian Far East Program

[http://www.wildsalmoncenter.org/programs/russian\\_far\\_east/index.php](http://www.wildsalmoncenter.org/programs/russian_far_east/index.php)

Contains background information about Sakhalin Island and its surrounding natural environment as well as environmental updates, information about the Portland-based organization's projects in the Russian Far East and current risks facing the salmon population.

## News Sources and Articles

### Moscow Times

<http://www.themoscowtimes.com/index.htm>

Daily Russian newspaper in English.

### Oil Giants Set Sights on Sakhalin

<http://news.bbc.co.uk/2/hi/science/nature/4244756.stm#>

Oil giants are banking on Sakhalin in the hunt for reserves. Hurricane Katrina has focused attention on the need to find new supplies of energy. BBC, Emma Simpson, September 14, 2005.

### Sakhalin Residents Call for Shell Cash

<http://news.bbc.co.uk/2/hi/asia-pacific/4381870.stm>

Residents of the town nearest one of the world's biggest energy projects - Shell's oil and gas operation on Sakhalin Island, in Russia's Far East - are calling for more money from the Anglo-Dutch company. BBC, October 27, 2005.

### Protests Increase Over Shell Pipeline

<http://www.guardian.co.uk/business/2005/dec/14/oilandpetrol.conservaion>

The Guardian, Terry McAllister, Wednesday, December 14, 2005.

### Sakhalin Island: Journey to Extreme Oil: Big Oil's Future Lies in Such Forbidding Places as Russia's Far East

[http://www.businessweek.com/magazine/content/06\\_20/b3984008.htm](http://www.businessweek.com/magazine/content/06_20/b3984008.htm)

Business Week, May 15, 2006.

### Russia: Moscow Mulls Its China Energy Strategy

<http://www.rferl.org/featuresarticle/2006/09/93A2DB5A-9043-4482-BB4B-681A2BE6F40A.html>

RFE/RL, Roman Kupchinsky, September 8, 2006.

### Russia: Salmon Injunction Could Aid Gazprom's Sakhalin Bid

<http://www.rferl.org/featuresarticle/2006/09/424E481E-24FF-41B1-A825-F3278F1C792E.html>

RFE/RL, Roman Kupchinsky, September 20, 2006.

### Russia Revokes Permit for Sakhalin Oil Project

<http://www.npr.org/templates/story/story.php?storyId=6108998>

NPR, Gregory Feifer, September 20, 2006.

### Sakhalin Oil and Gas Projects: What is Behind Russia's Coercive Behavior?

[http://www.jamestown.org/edm/article.php?article\\_id=2371502](http://www.jamestown.org/edm/article.php?article_id=2371502)

Jamestown Foundation, Joseph Ferguson, October 3, 2006.

## RUSSIA'S SAKHALIN ISLAND: WHEN OIL, NATURE AND POLITICS COLLIDE

### **In Russian Far East, concern for environment**

<http://www.iht.com/articles/2006/10/05/business/sakhalin.php>

*International Herald Tribune*, Andrew Kramer, October 6, 2006.

### **Shell's Sakhalin II: Russian Environment Agency Expected to Confirm History of Violations**

<http://www.pacificenvironment.org/article.php?id=2094>

Pacific Environment Press Release, November 28, 2006.

### **Shell Shakedown**

[http://money.cnn.com/magazines/fortune/fortune\\_archive/2007/02/05/8399125/index.htm](http://money.cnn.com/magazines/fortune/fortune_archive/2007/02/05/8399125/index.htm)

*Fortune's* Abraham Lustgarten reports how the world's second-largest oil company lost control of its \$22 billion project on Russia's Sakhalin Island. By Abraham Lustgarten, *Fortune*, February 1, 2007.

### **Quest for Energy off Russia's Far East Sakhalin Island Overcomes Obstacles**

<http://www.iht.com/articles/ap/2007/11/20/asia/AS-FEA-FIN-Russia-Sakhalin-Oil.php?page=2>

*The Associated Press*, Published: November 19, 2007.

### **Putin's Power Grab**

[http://www.newscloud.com/read/Sakhalin\\_Island\\_Oil\\_International\\_Business\\_News\\_Portfoliocom?skipSplash](http://www.newscloud.com/read/Sakhalin_Island_Oil_International_Business_News_Portfoliocom?skipSplash)

The Russian president's global ambitions – and his drift toward totalitarianism – hinge on the staggering energy reserves of the onetime Siberian gulag of Sakhalin Island. Royal Dutch Shell knows the drill. By James Verini, December 2007.

### **Russian Pipeline Plan Threatens Whales: Environmental Groups**

<http://afp.google.com/article/ALeqM5g6BvjEXxWcRnnlt4Z6Pd4cdCmSA>

May 22, 2008, Moscow (*AFP*).

### **Exxon denies endangering whales in Russian Far East**

<http://en.rian.ru/russia/20080516/107568969.html>

May 16, 2008, RIA Novosti.

## **Interviews**

### **Russia: Energy Analyst Looks At Sakhalin-2 Takeover (December 22, 2006)**

<http://www.rferl.org/featuresarticle/2006/12/5170BF7D-C480-4C81-A238-E8D14B4AA5C0.html>

## **Other**

### **Energy Information Agency (Official Energy Information from the US Government)**

<http://www.eia.doe.gov/cabs/Russia/Maps.html>

Maps of Russian pipelines and pipeline projects.



**RUSSIA'S SAKHALIN ISLAND:  
WHEN OIL, NATURE AND POLITICS COLLIDE**

**HANDOUT #11 – GRAPHIC ORGANIZER**

**Conflict**

--

**Position**

Position:	Could the conflict have been avoided?	What generally causes conflict?
-----------	---------------------------------------	---------------------------------

**Background**

Who was involved in the conflict? What was the conflict? When did the conflict take place? Where did the conflict take place?	One factor that helped cause the conflict: Specific Example  Commentary
Second factor that helped cause the conflict: Specific Example  Commentary	Third factor that helped cause the conflict: Specific Example  Commentary

**Reasons for the Position**

Reason(s) for the position:	Why was one factor more important than others?  Connection to the position:	How might the conflict have been avoided if not for one of the main casual factors?  Connection to the position:
-----------------------------	---	--



**RUSSIA'S SAKHALIN ISLAND:  
WHEN OIL, NATURE AND POLITICS COLLIDE**

**HANDOUT #12 – SCORING RUBRIC**

– Passing –			– Not Passing –	
GLE (EALR)	4 – Excellent	3 – Proficient	2 – Partial	3 – Minimal
<p>4.3.1. Analyzes and interprets historical materials from a variety of perspectives in world history (1450-present). (9th/10th Grade)* (EALR 4.3. Understands that there are multiple perspectives and interpretations of historical events.)</p>	<p>States a position on which factor played a primary role in causing the conflict AND Draws a conclusion about how studying this conflict helps us understand the causes of specific conflicts in the world today.</p>	<p>States a position on which factor played a primary role in causing the conflict. AND Finds similarities between this conflict and current conflicts.</p>	<p>States a position on which factor played a primary role in causing the conflict without finding similarities between this conflict and current conflicts.</p>	<p>Describes factors that played a role in causing the conflict WITHOUT taking a position. OR States a position on which factor played a primary role in causing the conflict that is unclear.</p>
<p>4.3.2. Analyzes the multiple causal factors of conflicts in world history (1450 – present). (9th/10th Grade)* (EALR 4.3. Understands that there are multiple perspectives and interpretations of historical events.)</p> <p>5.4.1. Evaluates multiple reasons or factors to develop a position a paper or presentation. (9th/10th Grade)* (EALR 5.4. Creates a product...)</p>	<p>Provides reason(s) for the position supported by evidence. The evidence includes:</p> <ul style="list-style-type: none"> <li>• An evaluation of factors causing the conflict from <b>three or more</b> of the following social science perspectives:                             <ul style="list-style-type: none"> <li>o geographic</li> <li>o political</li> <li>o economic</li> <li>o cultural</li> <li>o sociological</li> <li>o psychological.</li> </ul> </li> </ul>	<p>Provides reason(s) for the position supported by evidence. The evidence includes:</p> <ul style="list-style-type: none"> <li>• An evaluation of factors causing the conflict from <b>two</b> of the following social science perspectives:                             <ul style="list-style-type: none"> <li>o geographic</li> <li>o political</li> <li>o economic</li> <li>o cultural</li> <li>o sociological</li> <li>o psychological.</li> </ul> </li> </ul>	<p>Provides reason(s) for the position supported by evidence. The evidence includes:</p> <ul style="list-style-type: none"> <li>• An evaluation of factors causing the conflict from <b>one</b> of the following social science perspectives:                             <ul style="list-style-type: none"> <li>o geographic</li> <li>o political</li> <li>o economic</li> <li>o cultural</li> <li>o sociological</li> <li>o psychological.</li> </ul> </li> </ul>	<p>Provides reasons for the position on causes of the conflict without explaining factors causing the conflict from social science perspectives OR Attempts to explain factors causing the conflict from one or more social science perspectives in an unclear or minimal way.</p>
	<p>Provides reason(s) for the position supported by evidence. The evidence includes:</p> <ul style="list-style-type: none"> <li>• An analysis of specific, relevant information from <b>three or more</b> primary sources.</li> </ul>	<p>Provides reason(s) for the position supported by evidence. The evidence includes:</p> <ul style="list-style-type: none"> <li>• An analysis of specific, relevant information from <b>two</b> primary sources.</li> </ul>	<p>Provides reason(s) for the position supported by evidence. The evidence includes:</p> <ul style="list-style-type: none"> <li>• A description of relevant information from <b>one or more</b> specific artifacts and/or primary sources.</li> </ul>	<p>Provides evidence from primary sources that do not support the position.</p>
<p>5.4.2. Creates strategies to avoid plagiarism and respects intellectual property when developing a paper or presentation. (10th Grade)*</p> <p>5.2.2 Evaluates the validity, reliability, and credibility of sources while researching an issue or event.</p>	<ul style="list-style-type: none"> <li>• Makes explicit references within the paper or presentation to <b>four or more</b> credible sources that provide relevant information.</li> <li>• Cites sources within the paper, presentation, or bibliography.</li> </ul>	<ul style="list-style-type: none"> <li>• Makes explicit references within the paper or presentation to <b>three</b> credible sources that provide relevant information.</li> <li>• Cites sources within the paper, presentation, or bibliography.</li> </ul>	<ul style="list-style-type: none"> <li>• Makes explicit references within the paper or presentation to <b>two</b> credible sources that provide relevant information.</li> <li>• Cites sources within the paper, presentation, or bibliography.</li> </ul>	<ul style="list-style-type: none"> <li>• Makes explicit references within the paper or presentation to <b>one</b> credible source that provides relevant information.</li> <li>• Cites the source within the paper, presentation, or bibliography.</li> </ul>

\*OSPI recommends that this CBA be used at a particular grade level and thus, the GLEs included in the rubric are for that grade. However, if the CBA is used at another grade level within the grade band (3-5, 6-8, or 9-12), the GLEs may need to change to match the appropriate content.

Source: <http://www.k12.wa.us/assessment/WASL/SocialStudies/HighSchool.aspx>