Press Release

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Report Points to Uncertain and Significant Liabilities for Companies and Shareholders Related to Oil Spills in the Niger Delta

Liabilities Could Exceed $50 Billion; Shell and other Operators at Risk

WASHINGTON, DC, July 24, 2012—Oil and gas operators in the Niger Delta and their shareholders have significant liabilities that due to poor disclosure and inadequate regulatory oversight to date have gone underreported finds a new report released today by the Sustainable Investments Institute (Si2), an independent, impartial proxy and sustainability risk research provider to investors. The special report, *Investor Risks Looming in the Niger Delta*, says that Shell, the largest multinational oil and gas operator in the region, and other significant players, including ExxonMobil, Total, Chevron and Eni, are exposed to unclear and substantial costs related to ongoing cleanup and remediation activities, as well as compensation and legal expenses connected to a legacy of spills spanning 50 years.

"A confluence of events has occurred over the past year to make it an especially prudent time for investors to review these risks," says Peter DeSimone, cofounder of Si2 and author of the report. "One is the release of a much anticipated study from the United Nations Environment Program (UNEP) on Ogoniland, which recommended the creation of an initial $1 billion clean-up reserve to be funded by the government and oil operators to cover the first five years of what UNEP projects will be a 25- to 30-year effort. The other is a lawsuit filed in London by approximately 11,000 villagers from the Bodo community in the Niger Delta against Royal Dutch Shell, alleging that oil spills in the region devastated local fisheries and livelihoods of community members." DeSimone adds, "At the same time, the catastrophic BP Deepwater Horizon spill in the U.S. Gulf of Mexico has helped to highlight companies' spill responses in other cases and shed light on long years of neglect in the Niger Delta."

Spotty reporting, continued violence and the long-term legacy of the spills in the Niger Delta, with some ignored or inadequately remediated for more than 40 years, pose major challenges to conducting assessments, but existing reporting from companies, government agencies, multilateral institutions and civil society organizations have helped confirm several realities and needs going forward. These major findings, further developed in the report, include:

- Companies should determine the need for cleanup, remediation, compensation and related costs for outstanding spill damage attributable to their operations.
- Total liabilities are unknown but all indicators point to significant costs for the companies and their shareholders in the range of anywhere from $16 to more than $50 billion.
- Companies are using short-term strategies that are creating much larger long-term liabilities for their financial statements and shareholders.
- Communities are becoming more empowered to act not only in the arenas of public protest but also, and perhaps more importantly, in the courts.
- The BP spill has drawn attention to the consequences of spill damage elsewhere in the world including the Niger Delta.
- Poverty and inequality are underlying issues fueling the cycles of violence, sabotage and theft.
- Investors should take action to protect their long-term interests, while also helping to promote more sustainable and responsible practices going forward.

The report reviews options for investors as they attempt to grapple with assessing these risks, including:

- Demanding **good governance** of these issues, including robust board and senior management oversight.
- Calling for **appropriate policies** that are properly implemented, both requiring and empowering operations staff to devise solutions for clean-up and remediation efforts, and to guide ongoing responses to spills.
- Requesting **better reporting** of spill cases found, clean-up and remediation efforts and potential liabilities arising.
- Seeking **improved metrics** for ongoing reporting and measurement of resulting practices, with third party validation.
- Encouraging **cooperation** with the Nigerian government, local authorities and affected communities. This includes cooperating with UNEP and other multilateral institutions in following recommendations for redressing oil pollution problems.
- Urging greater efforts to promote constructive **corporate social investment** in affected communities to minimize incentives for violence and theft through the promotion of economic development and job creation.

A copy of the full report can be retrieved from: http://si2news.files.wordpress.com/2012/07/07242012-si2-special-report-investor-risks-looming-in-the-niger-delta-final.pdf.

About Sustainable Investments Institute

The Sustainable Investments Institute (Si2) is a non-profit membership organization founded in 2010 to conduct impartial research and publish reports on organized efforts to influence corporate behavior. Si2 provides online tools and in-depth reports that enable investors to make informed, independent decisions on shareholder proposals. It also conducts related research on special topics. Si2's funding comes from a consortium of the largest endowed U.S. colleges and universities, other large institutional investors and grants such as the ones that made this report possible.