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Dear Mr. Wu

With respect,

We are writing to you and the Board to express our deep concern for the CNPC associated oil production and the threat to one of the largest and most unique underground freshwater desposit Kokzhide in Kazakhstan. This letter addresses impacts, and pollution caused by the oil exploration and production of CNPC-Aktobemunaigas JSC and KMK Munai JSC, which are subsidiaries of the CNPC.

The groundwater deposit of the Kokzhide sand massif, located between the Emba and Temir rivers in the Aktobe region of the Republic of Kazakhstan, is the largest source of groundwater in Western Kazakhstan, and is considered unique in the quality of drinking water, with the total salinity not exceeding 0.1-0.2 g/dm³ⁱ. The underground water deposit was discovered in 1983 during oil exploration in the Kokzhide sand massif, the underground water deposit was therefore named after Kokzhide. The reserves of the underground water field, calculated for a 25-year life, were calculated on the daily production rate of over 196,000 cubic metersⁱⁱ. The Kokzhide currently provides water only to nearby villages, although the output means this field can in fact provide sufficient fresh water not only to the Aktobe region, but also to the Atyrau and Mangystau regions, which are experiencing an acute shortage of drinking water. There were plans to lay a conduit from Kokzhide to Kulsary in the Mangistau region for connection to the existing Volga-Aktau conduitⁱⁱⁱ. In 1990, the executive committee of the Aktobe regional Council of People's Deputies decided to ban all types of oil prospecting and oil production within Kokzhide^{iv}. By the Decree of the Government of the Republic of Kazakhstan No. 1212 dated November 18, 2010, Kokzhide sands were assigned to the category of specially protected natural territories of republican significance that have special environmental value. Akimat of Aktobe region by decree No. 7 of 01/23/2013 created the state natural reserve of local importance "Kokzhide-Kumzhargan", with a total area of 43977 hectares^v.

However, the Kokzhide massif is currently affected due to the exploration and production of oil. Seven oil producing companies operating within the Kokzhide massif are: Kazakhoil Aktobe LLP, KMK Munai JSC (52 producing wells), Ada Oil Firm LLP (42 producing wells), CNPC-Aktobemunaigas JSC (10 producing wells), LLP "Urikhtau Operating", LLP JV "Fial" and LLP "MGK". CNPC-Aktobemunaigas JSC is a subsidiary of CNPC (85.42% of the shares) and is developing the Kenkiyak-Podsolevoye oil and gas field within Kokzhide^{vi}. KMK Munai JSC is a subsidiary of CNPC-Aktobemunaigas JSC (50% of shares) and develops Kokzhide oil and gas fields within Kokzhide^{vii}. **Thus, CNPC subsidiaries account for almost 60% of production wells within the Kokzhide underground water field.**

The main factor in the underground water pollution of Kokzhide is the activity of oil companies, which are mainly located in the northwestern and western parts of the Kokzhide massif. Soil pollution begins with the drilling process and the operation of oil production equipment. When drilling, the natural tightness and filtration properties of the aquifer are disturbed. When associated gas is flared, the pollution in the form of precipitation

then enters the soil^{viii}. The 2012 studies conducted by the Republic of Kazakhstan's Agency of Applied Ecology showed presence of petroleum products in freshwater reserves. The Agency was tasked with water monitoring duties by order of the Department of Natural Resources and Environmental Management of the Aktobe region^{ix}. Official data of 2010-2014 recorded that substances from oil production exceeding 3 to 42 times above the limit values were detected at three observation wells in Kokzhid^x.

From May to December 2015, at the request of the Department of Natural Resources and Environmental Management of the Aktobe region, specialists from the company "Aliya and K" monitored the water in Kokzhid and found significant pollutants in the groundwater. Specifically, the level of cadmium exceeded the limit value by 20 times, iron by 1000 times, oil products by 15 times and lead in the area of 7 times above limit value.^{xi}.

According to the Natural Resources Department, in 2017 the pollution level in the territory of KMK Munai was 1.4 times exceeded^{xii}. **The prosecutor's office of the Aktobe region also repeatedly found violations in Kokzhid during its inspections^{xiii}.** Back in 2012, public authorities found CNPC-Aktobemunaigas oil exploration activities were in violation of the requirements of the Environmental Code and contractual obligations, on the account that the company had operated 4 wells since 2009 without infield roads, which caused pollution of soils and the damage of vegetation cover, as well as deterioration of surface water quality^{xiv}. In response, representatives of CNPC-Aktobemunaigas assured and continue to assure that they were doing everything possible so as not to pollute groundwater. The company claims that an observation network of wells was set up on Kokzhid to monitor groundwater, and that there had not been any discharge exceeding oil product standards since 2007.^{xv} **However, contrary to the claims by the company, the results of state monitoring for the period 2010-2017 confirm levels of water contamination as an outcome of earlier oil exploration activities still affects the quality of groundwater in Kokzhid in 2017^{xvi}.**

We would also like to draw your attention to increasing public concern on the pollution and exploitation of the Kokzhid watershed as a result of oil exploration and production. In April 2018, deputies of Kazakhstan's Parliament (lower house) sent an appeal co-signed by other parliamentarians^{xvii} to the Prime Minister Sagintayev on behalf of concerned citizens, specialists and the representatives of state bodies of Aktobe who appealed for the protection of the watershed and about the state of Kokzhid.^{xviii}. The deputies noted in the same communication about the alarming plans for the proposed drilling of another 168 wells Kokzhid^{xix}.

In response, Prime Minister Bakytzhan Sagintayev said in May 2018 that **the Kokzhid underground water field belongs to specially protected natural areas where any activity that threatens their safety is prohibited.** According to him, now state monitoring of groundwater covers the southeastern part of the Kokzhid sand massif. The ministries for investment and development, energy, the Akimat of Aktobe oblasts were instructed to study existing contracts for the development of oil in Kokzhid, with the view of preventing environmental degradation and groundwater pollution, as well as the cessation of oil production at the Kokzhid massif^{xx}. Further actions have been taken as recent as May 29 this year, when a group of ecologists and public figures of the Aktobe region sent an appeal to the head of the region O. Urazalin. In the letter, they openly indicate that the Kokzhid freshwater field may soon die, as subsoil users increase the volume of prospecting and exploration^{xxi}.

According to the Department of Ecology of Aktobe Oblast, currently the largest impact on Kokzhid is exerted by the companies CNPC-Aktobemunaigas JSC, KMK Munai JSC, Kazakhoil Aktobe LLP and Ada Oil Firm LLP, as they produce uninterrupted oil production^{xxii}. In the summer of 2018, on the territory of KMK Munai JSC within Kokzhid, an oil leak was recorded during production at wells No. 714 and No. 878^{xxiii}.

While PetroChina, the publicly traded arm of CNPC, has stated in its Sustainability Report for Kazakhstan that all projects under the company's implementation conforms with the "precautionary principle" and meets all environmental protection requirements. In other words, CNPC claims no activities would begin without adequate evaluation and ex-ante risk management, and the contractors responsible for the construction made

sure to monitor rigorously the implementation of the following environmental, water, ecological protection and waste management plans.

However, official Kazakh authorities have identified several violations in connection with CNPC's activities in the Aktobe region, which raise serious concerns about the company's fiduciary responsibility, and highlights CNPC - a Chinese state-owned enterprise - and its ability to comply with environmental and social due diligence requirements and the national law in Kazakhstan. The Department of Ecology of the Aktobe region conducted another study of water in Kokzhide in July this year, and the analyses of samples taken from observation wells indicate excess of norms (MPC) in the range of 1.3 to 8 MPC maximum concentration limits for oil products at four wells of KMK Munai JSC.^{xxiv}

Numerous Chinese state agencies responsible for overseeing Chinese overseas investments and trade deals have asserted that all Chinese companies operating overseas should comply, at a minimum, with the laws and regulations of the jurisdictions in which they operate. Mr. Weng Jieming, Vice Chairman of the State-owned Assets Supervision and Administration Commission of the State Council (SASAC) have stated that Chinese SOEs are required to "abide by the laws and regulations of the host country."^{xxv}

In connection with the foregoing, we ask you to convey to the Board of Directors of the CNPC to:

1. Conduct, together with representatives of companies, authorized state bodies, the public and specialists of the Republic of Kazakhstan, a verification of the facts of the negative impact of subsidiaries of CNPC-Aktobemunaigas JSC and KMK Munai JSC on the state of the Kokzhide underground water field,
2. Conduct public consultations for concerned citizens and professionals who have appealed on the state of Kokzhide watershed;
3. Publish the results of the public consultations and the audit in the media;
4. Prohibit further expansion of the activities of CNPC-Aktobemunaigas JSC and KMK Munai JSC, as well as the drilling of any new wells within the Kokzhide massif;
5. Introduce the strictest monitoring of the activities of CNPC-Aktobemunaigas JSC and KMK Munai JSC within the Kokzhide massif and, make the monitoring outcome available to the public within 30 days;
6. When monitoring results show that the environmental and hygienic standards in soil and water are exceeded, suspend any work until the pollution is eliminated;
7. Make public the company's environmental management plan including a management action plan which outlines tangible measures against violators;
8. In the event of violations, suspend their activities, cancel relevant licenses and terminate the contracts.

We look forward to your timely response to our concerns and demands by return email, and please do not hesitate to contact Sergey Solyanik, consultant to Crude Accountability (sergey@crudeaccountability.org) should you have any questions.

Thank you and best regards,

Sergey Solyanik, consultant to Crude Accountability, Almaty, Kazakhstan

Vadim Ni, Chairman of the Ecoforum of NGOs of Kazakhstan, Almaty, Kazakhstan

Lukpan Akhmedyarov, Editor-in-chief of the newspaper Uralsk Week, Uralsk, Kazakhstan

ⁱ Целевые показатели качества окружающей среды для Актыбинской области на 2018-2025 гг., ТОО «Экосервис-С», Алматы-Актобе 2017, стр.116-130.

ⁱⁱ <https://kursiv.kz/news/finansy/2019-04/bolee-11-milliarda-tenge-vydelyat-na-ocenku-zapasov-mestorozhdeniya-presnykh>

ⁱⁱⁱ <http://aktobetimes.kz/verhnyaya-novost/2333-rodniki-kokzhide-otravlyayut-neftyu-i-metallami.html>

^{iv} <http://orenpriroda.ru/steppene/sim2009/1658-%D0%BF%D0%B5%D1%81%D0%BA%D0%B8-%C2%AB%D0%BA%D0%BE%D0%BA%D0%B6%D0%B8%D0%B4%D0%B5%C2%BB-%D0%BA%D0%B0%D0%BA-%D0%BF%D0%B0%D0%BC%D1%8F%D1%82%D0%BD%D0%B8%D0%BA-%D0%BF%D1%80%D0%B8%D1%80%D0%BE%D0%B4%D1%8B-%D0%B0%D0%BA%D1%82%D1%8E%D0%B1%D0%B8%D0%BD%D1%81%D0%BA%D0%BE%D0%B9-%D1%81%D1%82%D0%B5%D0%BF%D0%B8>

^v Целевые показатели качества окружающей среды для Актыбинской области на 2018-2025 гг., ТОО «Экосервис-С», Алматы-Актобе 2017, стр.116-130.

^{vi} http://www.cnpc-amg.kz/?p=0_nas ; http://www.cnpc.com.cn/ru/hskst/hskst_index.shtml

^{vii} <http://www.kmkmunai.com/index.php?name=content&op=view&id=3>

^{viii} Целевые показатели качества окружающей среды для Актыбинской области на 2018-2025 гг., ТОО «Экосервис-С», Алматы-Актобе 2017, стр.116-130.

^{ix} <https://www.zakon.kz/4535687-prokurory-aktjubinskoj-oblasti-ratujut.html>

^x <http://agroinfo.kz/neft-otravila-ogromnoe-mestorozhdenie-pitevoj-vody-v-aktyubinskoj-oblasti/> ; https://www.inform.kz/ru/ekologi-aktobe-my-mozhem-poteryat-mestorozhdenie-podzemnyh-vod-kokzhide_a3531828

^{xi} <http://aktobetimes.kz/verhnyaya-novost/2333-rodniki-kokzhide-otravlyayut-neftyu-i-metallami.html>

^{xii} https://www.inform.kz/ru/neftedobycha-zagryaznyaet-unikal-noe-podzemnoe-mestorozhdenie-presnyh-vod-kokzhide_a3105564

^{xiii} <http://aktobetimes.kz/verhnyaya-novost/2333-rodniki-kokzhide-otravlyayut-neftyu-i-metallami.html>

^{xiv} <https://www.zakon.kz/4535687-prokurory-aktjubinskoj-oblasti-ratujut.html>

^{xv} <https://inbusiness.kz/ru/news/najti-investorov-dlya-vodnogo-mestorozhdeniya-kokzhide>

^{xvi} Целевые показатели качества окружающей среды для Актыбинской области на 2018-2025 гг., ТОО «Экосервис-С», Алматы-Актобе 2017, стр.116-130.

^{xvii} This appeal was signed by the deputies of the Mazhilis of the Parliament of the Republic of Kazakhstan: G.A. Baymakhanova; G.A. Schegelsky; J.A. Akhmetbekov; S.T. Seidumanov; M.M. Magerramov; Sh.A. Utemisov; I.V.Smirnova; A.O. Konurov; V. B. Kosarev; T.I. Syzdykov (<https://rezonans.kz/narodnyj-deputat/4935-sokhranit-v-chistote-podzemnye-vody>).

^{xviii} <https://rezonans.kz/narodnyj-deputat/4935-sokhranit-v-chistote-podzemnye-vody>

^{xix} <https://informburo.kz/novosti/sagintaev-otvetil-deputatam-na-zapros-o-zagryaznenii-podzemnyh-vod-na-yugo-zapade-rk.html>

^{xx} <https://informburo.kz/novosti/sagintaev-otvetil-deputatam-na-zapros-o-zagryaznenii-podzemnyh-vod-na-yugo-zapade-rk.html>

^{xxi} <http://agroinfo.kz/neft-otravila-ogromnoe-mestorozhdenie-pitevoj-vody-v-aktyubinskoj-oblasti/> ; https://www.inform.kz/ru/ekologi-aktobe-my-mozhem-poteryat-mestorozhdenie-podzemnyh-vod-kokzhide_a3531828

^{xxii} Письмо департамента экологии Актыбинской области №01-05-10/1996-ЖТ-С-22 от 29.07.2019.

^{xxiii} Письмо управления природных ресурсов Актыбинской области №ЖТ-С-21/0 от 23.07.2019.

^{xxiv} <https://fergana.agency/news/109590> , accessed on August 2, 2019.

^{xxv} http://en.sasac.gov.cn/2018/12/20/c_729.htm