

Malibu Surfside News

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Impact on Cabrillo Port Project is Expected as Company's Credibility is Called Into Question

BY HANS LAETZ

A special prosecutor in Australia has charged that BHP Billiton officials conspired to sell \$5 million worth of Australian wheat to Saddam Hussein in 1996, secretly bypassing American trade sanctions against Iraq, in order to secure valuable oil and gas rights. The company was lobbying U.S. officials as troops entered Baghdad in 2003 to be allowed to operate Iraq's largest oil field.

The revelations come as the company is lobbying the U.S. and California to build an \$800 million liquefied natural gas terminal off Malibu, and is portraying itself as a reliable U.S. trading partner as it seeks permits and licenses for the project, worth \$5 billion in profits to the company.

The Cole Commission report has made the front pages in Australia and the financial pages around the world, as it accuses high-ranking government and company officials of purposefully bypassing U.S.-led trade sanctions against the Baghdad government in 1996, when the U.S. Navy and Air Force were blockading Iraq.

The high-ranking BHPB official who set up the deal, and then left to head the spinoff company created by BHPB to handle the oil project, was described by the official government inquiry as "a thoroughly disreputable man with no commercial morality."

The wheat-for-oil deal was part of a scheme by the official government wheat exporting agency in Australia to curry favor with Saddam's government. BHP Billiton purchased some of the wheat, "donated" it to Iraq around the U.S. blockade, and then sold the debt to a spin-off company headed by BHPB petroleum official Norman Davidson Kelly, who collected a \$7.2 million payoff from the Iraqis.

The Australian inquiry recommended criminal prosecution for the onetime BHPB official and 11 Australian Wheat Board officials who set up the illegal scheme.

BHP Billiton officials have told Malibu residents that the company is a reliable trading ally of the United States, and officials from the Australian embassy last spring traveled to Malibu to testify that the Canberra government is a firm supporter of U.S. foreign policy.

Local ocean advocates expressed shock when told of the findings. "These are very serious charges," said Susan Jordan, director of the California Coastal Protection Network. "People need to take a very close look at who this company is, and how they do business. Very few people know what their business record and environmental record is."

BHPB chief executive Chip Goodyear told reporters in Australia Monday that the company will analyze the report by a special prosecutor and issue a public comment later this week.

BHPB's annual meeting is this week in Brisbane, and company officials are quoted in Australian newspapers as saying they want a quick and thorough investigation to prevent the company's international reputation from being further tarnished. The company has undergone a complete management transition since the oil deal with Saddam in 1996, and Goodyear has instituted numerous reforms, Australian newspapers report.

But as late as 2003, BHP Billiton was lobbying Vice President Richard Cheney to be allowed to take over the huge Halfayah oil field just weeks after American forces invaded Iraq in 2003, the Independent newspaper in London has reported.

The Cole Commission was created to investigate a complicated deal by the Australian-based conglomerate to secure an oil and gas concession in Iraq once American sanctions ended. The BHPB shipment of wheat was part of \$244 million package of kickbacks and bribes paid by Australian wheat exporters to Saddam's government.

The commission report, issued Monday, said BHP Billiton may have "conspired with, or aided and abetted" the Australian wheat board officials who funneled money to Saddam in contravention of the trade embargo.

The company's proposed LNG terminal 13.8 miles offshore of Malibu has been beset by regulatory delays, as government agencies seek enough specific information from BHP Billiton to make a decision on its safety and environmental impact. The Cabrillo Port environmental impact review

was supposed to have been completed in Spring 2005, but is at least two years overdue after federal and state regulators said they were not getting information they had asked for from the company in 2003.

An investigation by the Malibu Surfside News last week reported that 521 tons of air pollution would be released each year by the Malibu terminal, with most of that smog-producing waste being blown into the Los Angeles air basin. Additional review of the numerous documents released by the federal government shows that some emissions from LNG carriers may have been listed twice by the company's lawyer in a letter he sent to smog regulators last month.

Removing the possible duplicates leaves a total estimate of 484 tons per year of smog-causing chemicals, up from the 261-ton total in the current environmental impact report.

The increase is caused by including offloading operations, emissions from LNG carriers and tugboats, and "ammonia slip" totals in the sum of air emissions, which the company contends is an unfair and inaccurate means to judge the total smog impact that Cabrillo Port would have on area skies.