



Dodgy Deal:

Block 31, Yasuni National Park

Ecuador

update

This dodgy deal is no longer being updated

banktrack contact

Description

Ecuador's Yasuni National Park is threatened by planned oil development by the Brazilian oil company Petrobras. The oil development will take place in Block 31, two thirds of which is located in Yasuni National Park, one of the most biodiverse areas on earth and the crown jewel of Ecuador's mainland national parks.

Currently the project will see the construction of two oil platforms inside the park, an oil processing facility near an ecologically sensitive river that forms the northern boundary of the park, flow lines from the oil platforms in the park to the processing facility, and the expansion of a supply camp on the Napo River 12.8 kilometres north of the processing facility. The area is of such biological significance it has been declared a UNESCO Biosphere Reserve.

The development will unleash cumulative impacts (including deforestation) on adjacent areas that will threaten vulnerable indigenous people living in voluntary isolation. Clashes between indigenous groups and Petrobras are considered likely, with local communities formally calling for a moratorium of oil development in the area.

brief history

30 September 2006, 43 scientists from Ecuador, the USA and Europe write to Ecuador's president informing that no drilling should take place in Yasuni National Park. The scientists emphasize that if the government insists on proceeding with drilling, as a bare minimum several changes should be made to the existing plan using technically and financially feasible mitigation measures.

24 November 2006, the Ministry for the Environment in rejects any proposed changes suggested by the scientists to mitigate social and environmental impacts of the oil development.

8 January 2007, NGOs write the Ecuadorian government, citing examples and studies from leading oil companies BP, Statoil, Schlumberger and K&M Technologies, demonstrating that changes proposed by the scientists are both economically feasible and practical.

15 January 2007, a new government comes to power in Ecuador, headed by President Rafael Correa.

3 February 2007, President Correa announces in nation-wide radio broadcast that the government would suspend the contracts of oil companies that needlessly damage Ecuador's environment.

22 March 2007, 45 scientists and NGOs from 13 countries send letters, accompanied by a detailed dossier ("Investors' Brief") to President Correa and the Ministers of Energy, Environment and Finance, reiterating their concerns of environmental and human rights violations in the plan of Petrobras for Block 31.

23 March 2007, scientists and NGOs send letters to Citigroup, HSBC, Baillie Gifford, BBVA, Banco Santander and Deutsche Bank, accompanied by the dossier, "Investors' Brief," detailing violations of international good practice and the Equator Principles in Petrobras plans for Block 31.

20 April 2007, the Minister of Energy sends a letter to scientists and NGOs, responding that he will review the information sent to him in the letter and dossier of March 22, 2007.

1 May 2007, scientists and NGOs send a response letter to the Minister of Energy, urging him to work with the Environment Ministry to review the Investors' Brief and to urge the Environment Ministry to delay any granting of the Petrobras operating permit for Block 31, until this review is completed, and actions are identified to address the concerns in the Investors' Brief.

In October 2007 the Ecuadorian Environment Ministry granted Petrobras a controversial Environmental License to begin operations within Yasuni National Park. The granting of this license triggered two lawsuits from indigenous organizations, challenging the Constitutionality of the license. However, both claims were rejected in 2008 by Ecuadorean courts.

what must happen

The Ecuadorian government should not permit oil drilling and development in Yasuni National Park, including Block 31. To avoid needless ecological destruction and potentially tragic social conflict with vulnerable indigenous groups, the current proposal for Block 31 requires independent evaluation of feasible alternatives and major design changes, including the free, prior informed consent of affected indigenous populations, and a strategic, regional Environmental Assessment that would examine cumulative impacts and their mitigation.

Until the social and environmental risks outlined in the Investors' Brief are addressed, no responsible financial institution should provide support for the project in its current form.

Other issues

Petrobras' Block 31 project will be constructed in an area identified by Conservation International as one of the largest contiguous tracts of the most biodiverse intact wilderness in the world. Further research has concluded that the forests of Yasuni are probably the most diverse in the world. Yasuni has been declared by WWF Scientists as among the most important ecoregions globally to protect.

The development's environmental assessment states "the possibility of a catastrophic [oil] spill cannot be ruled out" at the processing plant, and that there is "probable" risk that indigenous communities affected by the project will engage in physical protests and interventions that could lead to work stoppages and violence.

Introducing the two oil platforms, associated infrastructure and personnel into the region will cause such broad and direct secondary environmental and social impacts that 43 concerned scientists from Ecuador, the United States and Europe wrote to the President of and its Environment Minister concerning the most recent development proposal (plans have been altered and long delays have occurred) recommending that no new drilling be undertaken in Yasuni. The letter informs that regardless of the drilling method used impacts of the existing plan, the lack of full consultation and informed consent of significant elements of the indigenous population affected outweigh all indications that the project should proceed.

The inadequate environmental assessment and likely risks have lead to apparent violations of the Equator Principles, including Principle 3, Applicable Social and Environmental Standards; Principle 5, Consultation and Disclosure; Principle 6, Grievance Mechanism; Principle 7, Independent Review. An elaboration of these violations can be found in the Investors' Briefing.

What must happen

The Ecuadorian government should not permit oil drilling and development in Yasuni National Park, including Block 31. To avoid needless ecological destruction and potentially tragic social conflict with vulnerable indigenous groups, the current proposal for Block 31 requires independent evaluation of feasible alternatives and major design changes, including the free, prior informed consent of affected indigenous populations, and a strategic, regional Environmental Assessment that would examine cumulative impacts and their mitigation.

Until the social and environmental risks outlined in the Investors' Brief are addressed, no responsible financial institution should provide support for the project in its current form.

applicable policies

✓ **Equator Principles** should apply to this project.

Issues and potential breaches to Equator Principles are detailed in [the Investor Brief document](#).

Updates

Aug 25, 2010

On August 3 2010, the Ecuadorian government and the United Nations Development Program signed an agreement that will create a trust fund for managing international contributions to the Yasuni-ITT initiative. This initiative calls for the oil reserves under the Ishpingo Tambococha Tiputini field in the Yasuni National Park to remain underground. In exchange, the Ecuadorian government seeks compensation from the international community for 50% of the lost revenues from choosing not to drill. The money will be used for renewable energy projects and other environmental activities.

In 2008 the Ecuadorian government rescinded the lease to Petrobras for Block 31, it's now under the administration of PetroEcuador. For the moment no development is proceeding. It appears the Ecuadorian government hopes to get funds to keep the oil in the ground for Block 31. They haven't had much success to date.

On 20 September 2008, Brazilian oil company Petrobras agreed to transfer Block 31 back to Ecuadorian state oil firm Petroecuador ([Reuters](#)). September 2006, a revised plan and environmental assessment for oil development in Block 31 is submitted by the oil company Petrobras to the Ecuadorian government.

financial institutions involved

banks

Ceskoslovenska obchodni banka

Ceskoslovenska obchodni banka, a. s. is a universal bank operating in the Czech Republic.

Banco de Credito de Peru

Banco de la Nacion

Bank of Tokyo Mitsubishi UFJ -

BNP Paribas -

Citigroup -

Citi have provided share and bond issuances.

Crédit Agricole -

Credit Suisse Group -
Deutsche Bank -
HSBC -
JPMorgan Chase -
Lehman Brothers
Mizuho -
Morgan Stanley -
Nomura
Santander -
Sumitomo Mitsui Banking Corporation -
UniCredit Group -
• involved through their subsidiary HVB
WestLB AG -

investment funds

Bear Stearns
Merrill Lynch

national development banks

BNDES
The Brazilian Development Bank BNDES (Banco Nacional de Desenvolvimento Econômico e Social)

export credit agencies

Japan Bank for International Cooperation (JBIC)

applicable policies

Issues and potential breaches to Equator Principles are detailed in [the Investor Brief document](#).

companies

PetroEcuador
Teikoku Oil