

BNP PARIBAS vs. COMMUNITIES AND CLIMATE

SUPPORTING THE TEXAS LNG FRACKED-GAS TERMINAL
THREATENS THE RIO GRANDE VALLEY

A SHORTING THE CLIMATE CASE STUDY

MARCH | 2017

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BEYOND COAL

WHY BNP PARIBAS MUST CUT OUT FOSSIL FUELS TO MEET PARIS CLIMATE TARGETS

In 2015, BNP Paribas committed to ensure that the objectives of the Paris Agreement on climate are met — or even exceeded.¹ The bank has announced the end of project finance to coal mines and power plants, as well as restrictions on support for companies active in this sector. It is understandable that BNP Paribas, like the financial sector as a whole, has begun by limiting its exposure to coal, given that coal combustion accounts for a quarter of the world's greenhouse gas emissions.² BNP's implementation of these recently announced policies will be crucial, and going forward it should accelerate its phaseout of coal. However, to limit global warming to 1.5°C BNP Paribas must look beyond coal at its financing of other extreme fossil fuels.

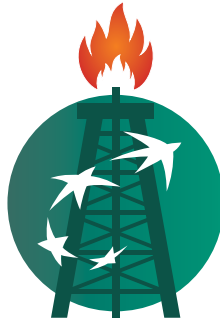
A report from Oil Change International from September 2016 shows that carbon dioxide (CO₂) emissions from exploiting the fossil energy fields already in operation would warm the world above 2° Celsius; the CO₂ emissions from gas and oil fields alone would push the world over the dangerous threshold of 1.5°C.³ Thus, efforts to stem the construction of new climate-damaging infrastructure must go beyond coal and also cover oil and gas.

As a consequence, while banks must further their efforts to get out of coal — and in particular commit themselves to end financing for companies developing new mining and coal-fired power projects — they must also immediately cease their support for the other most carbon-intensive, environmentally destructive, and financially risky sectors of fossil fuels, which include tar sands, Arctic and deepwater drilling, and liquefied natural gas (LNG) export projects.

PHOTO: ALEX DOUKAS / OIL CHANGE INTERNATIONAL

BNP PARIBAS AMONG TOP 10 FUNDERS OF OIL AND GAS

While BNP Paribas has taken some positive steps, its actions to date indicate it has not yet fully grasped the implications of its commitment to a 2°C world. On the contrary, an outside observer has the right to seriously doubt the bank's sincerity to fight against climate change, as its support to fossil fuel companies contradicts its commitments in a major way.



BNP PARIBAS
The bank for a changing **climate**

According to the report “French Banks: When the Green Turns Black” published by Friends of the Earth France, Oxfam France and Fair Finance France in 2015, BNP Paribas financed fossil fuels with 52 billion euros between 2004 and 2014 — nine times more than the amounts spent on renewable energies over the same period — and ranked seventh among the top international financiers of fossil fuels.⁴

In particular, the bank is very exposed to the most risky sectors of fossil fuels. In “Shorting the Climate,” a report published by Rainforest Action Network, BankTrack, Sierra Club and Oil Change International in 2016, BNP Paribas ranks eighth among major international banks with USD \$14.68 billion of financing to the companies most active in extreme oil (tar sands and Arctic and ultra-deepwater drilling) and \$14.72 billion to those most active in liquefied natural gas export between 2013 and 2015.⁵

On top of such support for fossil fuels, and in total contradiction with the objectives of the Paris Agreement and the bank's claimed commitment to the energy transition, BNP Paribas lacks a policy that could guide the bank in winding down its support to the extreme oil and gas sectors.

TEXAS LNG, A PROJECT SUPPORTED BY BNP PARIBAS IN THE UNITED STATES

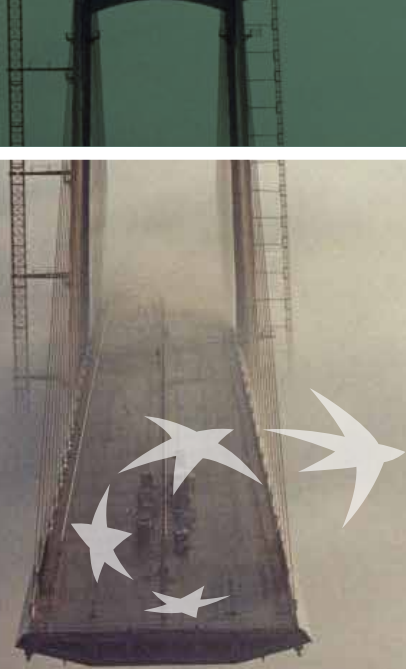
On the contrary, BNP Paribas now has the lead role in arranging finances for a new extreme fossil fuel infrastructure project, the Texas LNG terminal, estimated to cost USD \$2 billion. This massive fracked-gas export facility in South Texas threatens nearby communities and would irreparably damage local ecosystems. It would also lock in decades of a fossil fuel energy source — liquefied natural gas — that is worse for the climate than coal. Texas LNG will sell the gas to customers in China and Southeast Asia for distribution all over the world.⁶

Bank of the West, BNP Paribas' largest U.S. subsidiary, is also implicated in the Texas LNG project. A regional bank with more than 600 branches, almost all west of the Mississippi, Bank of the West prides itself on “relationship banking” and preserving a “local feel.”⁷ So it should be acutely concerned with the grave local, social, and environmental impacts of the Texas LNG project and must ensure that BNP Paribas as a whole withdraws from its role.

According to publicly available documentation, the Japanese bank Sumitomo Mitsui Banking Corporation (SMBC) is financing another of the proposed export terminals in the Rio Grande Valley: the Rio Grande LNG project, which like the Texas LNG project threatens serious environmental and social harm to communities and climate.⁸ SMBC, also a signatory to the Equator Principles (see page 10), has been asked about its support for the project, but has not given any formal response.

LIQUEFIED NATURAL GAS

A BRIDGE TO NOWHERE



The proposed Texas LNG terminal is part of a new slate of planned extreme fossil fuel infrastructure in North America. The region's hydraulic fracturing boom of the last decade has not only contaminated water and damaged community health, it has also left the fossil fuel industry with a huge glut of gas. To ease that oversupply, corporations are looking to exports, in the form of liquefied natural gas. There are currently two existing fracked-gas export terminals in North America. Industry has proposed building an appalling 60 more.⁹ Within the United States, the majority of those proposed are in the Gulf Coast, the country's traditional sacrifice zone for fossil fuel infrastructure.

Exporting gas as LNG requires transporting, purifying, and cooling it into a liquid via a maze of pipelines and export terminals as large as 560 soccer fields, from which it is shipped overseas on tankers 300 yards (275 meters) long. The proposed buildout of these terminals would hurt communities, wreck ecosystems, and lock in decades of climate-killing emissions.

The fossil fuel industry touts natural gas, including LNG, as a "bridge fuel" — a less carbon-intensive alternative to coal, an intermediate stage in the transition to a renewable energy economy. But methane, when it leaks into the atmosphere unburned, is a greenhouse gas over 80 times more potent than carbon dioxide¹⁰ — and data shows that, along the full LNG life cycle, up to 5 percent of methane escapes.¹¹ Furthermore, the transportation and cooling of exported LNG is hugely energy-intensive. In fact, a growing body of evidence shows that, when methane leakage and energy intensity are taken into account, exported LNG as a power source is worse for the climate than coal.¹²

Moreover, North American LNG export terminals are major financial risks. Of the 60 proposed terminals, a recent study projected that only six are likely to actually be completed.¹³ And even successfully completed LNG export terminals look like shaky investments. Wood Mackenzie estimates that as much as half of the United States' LNG export capacity could go unused through 2020, which would strand billions in investment.¹⁴ These are massively capital-intensive projects dedicated to transporting a commodity that is increasingly recognized as hugely climate-destructive; they are prime candidates to become stranded assets as climate regulations come into force in the coming years.

A DIRTY CYCLE:

LNG AND FRACKING

Fracking is driving the buildout of LNG export terminals, and LNG export buildout drives fracking, creating a vicious cycle. Producing enough gas to feed a growing roster of LNG export terminals would require more gas wells, and three-quarters of new gas for export would be fracked, according to the U.S. Energy Information Administration (EIA).¹⁵

In particular, Texas LNG looks to get feed gas from the Eagle Ford Shale basin in South Texas.¹⁶ Drilling in the Eagle Ford Shale has skyrocketed since the shale boom because fracking has made it possible to extract previously inaccessible gas.¹⁷

France banned fracking in 2011 over fully justified concerns about its threat to water supplies, among a wide range of other environmental and social impacts.¹⁸ Likewise, the French legislature has considered banning U.S. gas imports because such a high proportion is fracked.¹⁹ Even without such legislation in place, however, any French bank funding the buildout of fracked-gas infrastructure overseas is acting cynically at best, hypocritically at worst.

PHOTO: CALIN TATU / SHUTTERSTOCK



TEXAS LNG

A THREAT TO COMMUNITIES AND ECOSYSTEMS IN THE RIO GRANDE VALLEY

In South Texas, near the Mexican border, fossil fuel corporations plan to transform the coastal landscape of the Rio Grande Valley into an industrial LNG export hub by building greenfield LNG export terminals on undeveloped natural habitat at the Port of Brownsville. The Rio Grande LNG and accompanying pipeline is owned by NextDecade, Annova LNG is owned by Exelon, and Texas LNG is proposed by a company of the same name.

TEXAS LNG BROWNSVILLE EXPORT TERMINAL

In August 2015, BNP Paribas was announced as the financial adviser for Texas LNG Brownsville LLC's proposed export terminal at the Port of Brownsville. In this role, BNP Paribas will help the company raise debt and equity capital to finance construction of the terminal as well as prepare documentation for the Final Investment Decision.²⁰ The terminal would be designed to liquefy and export up to 618 million cubic feet of LNG each day.²¹ Texas LNG's facility would be sited on 625 acres of undeveloped land, and 1.2 million cubic yards of imported fill would be used to fill in wetlands and low-lying areas.²²

WORSE THAN COAL FOR THE CLIMATE

Texas LNG reports that the terminal would directly emit 620,000 tons of CO₂-equivalent greenhouse gases each year of operation.²³ On top of contributing to climate change, this presents a financial risk to the company as the international community regulates GHG pollution in the years to come.

These direct emissions from operation are in addition to an enormous amount of upstream and downstream pollution the terminal will contribute to and cause. Downstream, when the gas exported from Texas LNG is combusted for power, it will emit over 12 million tons of CO₂ per year — the equivalent of 3.5 coal power plants.²⁴ This number does not even take into account a realistic methane leakage rate over the entire lifecycle of the gas, which more than doubles the climate impact of the gas exported from Texas LNG. With methane leakage taken into account, the gas exported from the Texas LNG facility would have the climate impact of over seven coal plants.²⁵

MAP: STEFANIE HERWECK / SAVE RGV FROM LNG



While Texas LNG argues in its reporting to FERC that upstream and downstream effects “simply cannot be known,” the company directly contradicts itself on this in the same document.²⁶ It states:

“Texas LNG will help enhance competition for natural gas supplies and customers, both domestically and abroad, and encourage continued development of the already dynamic U.S. natural gas industry to further promote access to supply. This is underscored by the recently released DOE-commissioned 2015 LNG Export Study, which [...] notes that “[g]reater LNG exports effectively serve as additional demand for U.S. natural gas, which facilitates expansion in the domestic upstream sector.”²⁷

The EIA confirms the upstream effects of exports through another study, which finds that “increased natural gas production satisfies about 60 to 70 percent of the increase in natural gas exports,” and “about three-quarters of this increased production is from shale sources.”²⁸ Indeed, this expansion upstream will come in the form of more hydraulic fracturing of shale, more methane leakage, and more negative health effects in extraction areas, especially the nearby Eagle Ford Shale, where air and water are being badly contaminated.²⁹ Any thorough analysis of this project must consider and evaluate these upstream and downstream risks.

BIODIVERSITY THREATS: THE ENDANGERED OCELOT

Texas LNG is one of three LNG terminals proposed right on the edge of what the U.S. Fish and Wildlife Service calls “one of the largest and most successful coastal wetland restoration projects in the United States”: the Bahia Grande unit of the Laguna Atascosa National Wildlife Refuge, where wetland restoration is still ongoing. The 21,700-acre refuge is almost half wetlands, making it a safe haven for a range of species and native vegetation, as well as a crucial storm barrier for weather events that are increasing in frequency and strength with climate change.³⁰ The area is a critical habitat for ocelots and Aplomado falcons, two of the eight endangered species that find habitat in the refuge.³¹ As of August 2015 there were only 53 ocelots left in all of Texas, many in the southern tip of the state where LNG export facilities are planned.³²



PHOTOS (LEFT TO RIGHT): ALISON KIRSCH / RAN; ELITRANO / SHUTTERSTOCK; ALISON KIRSCH / RAN

\$75 MILLION IN HEALTH IMPACTS

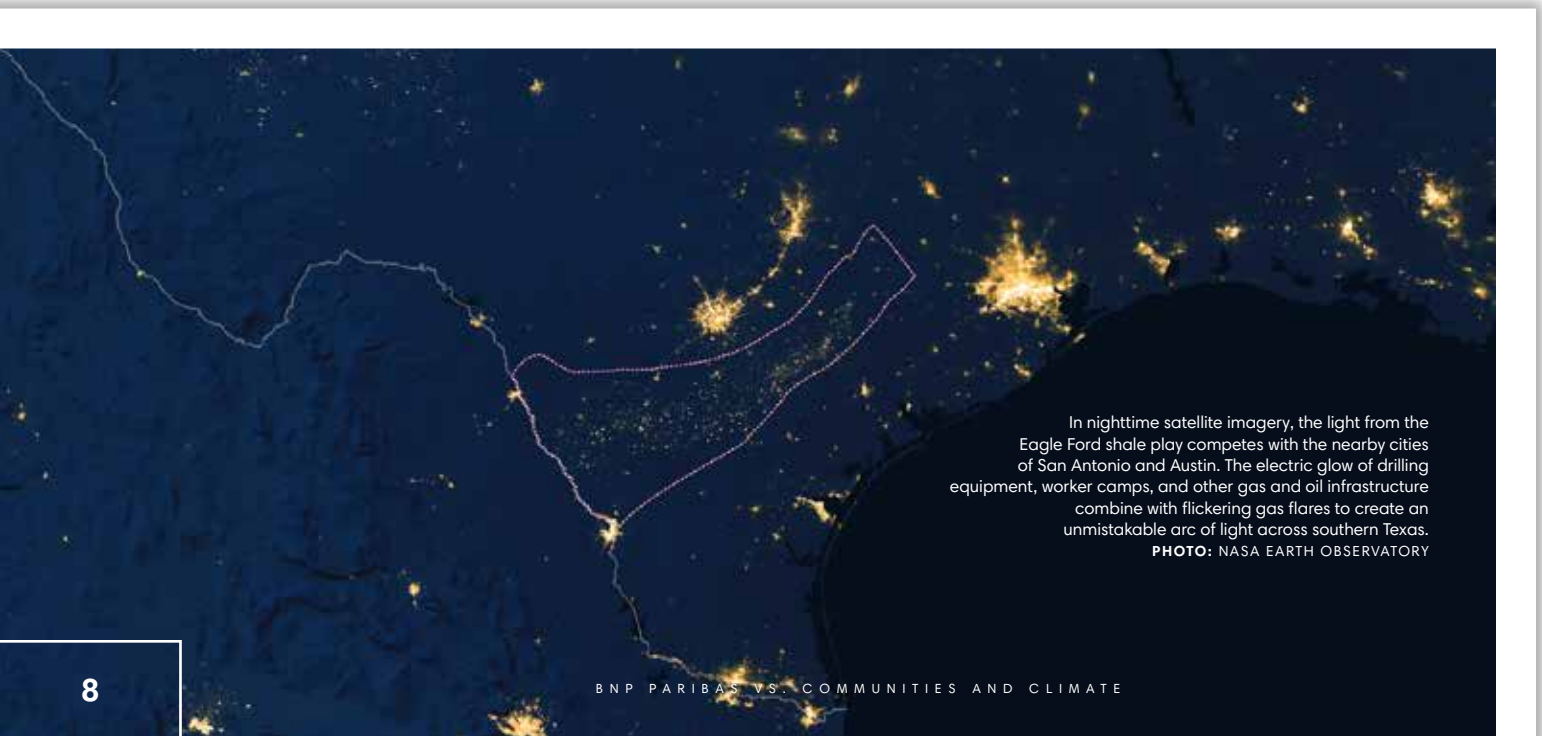
Condensing and moving the gas through the Texas LNG terminal will create a significant amount of pollution, which will harm a region that already struggles with major health disparities. One concerning pollutant that will be emitted is particulate matter, which worsens asthma and is linked to heart and lung problems.³³ Two hundred and fifty tons of ultrafine particulate matter, or PM2.5, will be emitted during the construction phase of Texas LNG. According to the pediatric medical providers known as the Rio Grande Valley Coalition For Healthy Children, who cite calculation methods from the United States Environmental Protection Agency (EPA), “Texas LNG will cost Cameron County \$75 Million to [USD] \$187 Million in morbidity and mortality impacts [from PM2.5 pollution]. That is calculated from an estimated 7,750 minor restricted activity days, 1,250 work loss days, 250 asthma exacerbations, 75 respiratory and cardiovascular hospital admissions, and 10 nonfatal heart attacks — just in the construction phase.”³⁴

Moreover, Texas LNG is built only two miles (3.2 kilometers) from the community of Port Isabel and only 15 miles (24.1 kilometers) from Brownsville. Large amounts of pollutants such as PM2.5, sulphur oxides, nitrogen oxides, and volatile organic compounds will be emitted throughout operation of the terminal, exposing these nearby communities that already suffer from major health disparities and low access to health care.³⁵

INDIGENOUS RIGHTS

Development of Texas LNG also poses a threat to cultural resources of Indigenous peoples, which the company has not adequately addressed. The National Park Service, in its official comments to FERC, noted that “[t]he proposed Texas LNG terminal site contains one of the premier prehistoric archeological sites in Cameron County, the Garcia Pasture Site. The Garcia Pasture Site (41CF8), which is listed on the National Register of Historic Places, has known burials, discrete shell working areas, and contact period artifacts.”³⁶

This is especially concerning because while Texas LNG did contact some Indigenous tribes for its Cultural Resources report, it failed to contact the Carrizo/Comecrudo Tribe of Texas, a tribal group also known as the Esto’k Gna, who originate from the South Texas Rio Grande Delta.³⁷ The Garcia Pasture Site is of particular historical and cultural significance to these important stakeholders. Free, Prior, and Informed Consent by Indigenous Peoples on projects that impact their traditional lands is a standard that should be used by project developers and required by banks to ensure protection of Indigenous rights.



In nighttime satellite imagery, the light from the Eagle Ford shale play competes with the nearby cities of San Antonio and Austin. The electric glow of drilling equipment, worker camps, and other gas and oil infrastructure combine with flickering gas flares to create an unmistakable arc of light across southern Texas.

PHOTO: NASA EARTH OBSERVATORY

RISKS TO JOBS AND LOCAL ECONOMIES

If built, the three proposed LNG terminals in the Rio Grande Valley would gravely impact the local fishing, shrimping, and ecotourism industries, and have elicited opposition from local workers groups, business associations, local city councils, and a vocal grassroots group named Save RGV from LNG.³⁸ Nearby South Padre Island is a well-known destination for its sport fishing, bird watching, and beaches, and its tourism and economic activity help support the county at large.³⁹ The proposed Texas LNG project would compromise South Padre Island's economy with a 315 foot tall flaring structure and hundreds of tons of additional air pollution.⁴⁰ Much of the region depends on an undeveloped coastline to sustain its nature tourism industry, which brings \$463 million to the region per year.⁴¹ In the Rio Grande Valley, nature tourism alone leads to 6,600 part- and full-time jobs. Most jobs created by the Texas LNG terminal, however, are temporary construction-related positions; it would only employ 110 permanent full-time staff, at most.⁴²

ENVIRONMENTAL INJUSTICE

This effect on the existing nature-dependent economy is especially concerning because Texas LNG and the other two terminals would be constructed next to Brownsville, a rural community that is 93 percent Hispanic or Latino and often tops the list of poorest cities in the country.⁴³ More than 35 percent of the area's residents live in poverty, the highest rate of any metropolitan area in the United States.⁴⁴ The region already struggles with major health disparities, and these facilities would emit thousands of tons of harmful pollutants into the air.

LNG terminals in this area also present an explosion risk to local communities. A leak of colorless, odorless, flammable methane from storage tanks or pipelines has the potential to create a large, deadly fireball when ignited. This potential impact is greatly increased by the presence of the SpaceX rocket launch site, currently under construction only five miles away. The possibility of a failed rocket falling from the air and colliding with LNG infrastructure is not far-fetched; in Florida, SpaceX rocket launches have failed and exploded in June 2015 and September 2016.⁴⁵



PHOTOS: ALISON KIRSCH / RAN;
(ABOVE): SAVE RGV FROM LNG

TEXAS LNG UNDER THE EQUATOR PRINCIPLES



The Equator Principles is a framework for analyzing and managing environmental and social risks when financing projects, created by banks, for banks. Projects that have potential adverse risks or impacts that are diverse, irreversible, or unprecedented must be categorized as the highest risk level, and if they cannot comply with the Equator Principles, they must be rejected. Even at early planning stages, Texas LNG has proved to be a project whose risks are irreversible and unprecedented with regards to the greenfield and ecologically critical site, and diverse across social, climate, and environmental areas of concern. Even with a plan to address these issues, the unavoidable environmental and social impacts would be a disaster for the local area and could prove unable to comply with minimum environmental and social standards at all.

Ironically, if the project were planned right across the border in Mexico, BNP Paribas would have much stricter requirements, including proof that the project does not lead to measurable impacts on endangered species' habitats. Also, the project would require the Free, Prior, and Informed Consent of Indigenous peoples adversely impacted. The recent example of the Dakota Access Pipeline shows the weakness of relying on host country laws to prevent environmental and social risks, even in the most developed countries.⁴⁶ Thus, banks that subscribe to the Equator Principles should be wary of becoming involved with this project. BNP Paribas, as a bank on the Equator Principles' Climate Change committee, should cut its association with this dangerous project.

Moreover, the Equator Principles are a weak, self-regulated standard for financial institutions and do not necessarily stop banks from financing disastrous projects. A bank truly committed to environmental and social principles would stay far away from a project with this level of risk and potential impact, and avoid further weakening the credibility of the Equator Principles as the disastrous case of the Dakota Access Pipeline has done. For a full analysis of this project under the Equator Principles, see the appendix.

PHOTO: NAIRPHOTO.GR / SHUTTERSTOCK

CONCLUSION AND DEMANDS

BNP Paribas, by serving as financial adviser for the project loan for the Texas LNG export terminal in the Rio Grande Valley, is contributing to a range of serious potential climate, environmental, and social impacts that would result from the project. A proposed greenfield development, Texas LNG threatens a vitally important wetland restoration project, including critical habitat for multiple endangered species. It would hurt the health of nearby communities — largely low-income communities of color — with air and water pollution and a constant threat of leaks and explosions. At a time of growing climate emergency, it would lock in decades of a fossil fuel — exported fracked gas — that studies show is worse for the climate than coal.

BNP Paribas' continued involvement with Texas LNG stands in clear contradiction to its own climate policies and calls into question its commitment to the Equator Principles. It now faces a test of these commitments. If it is serious about them, it should withdraw from its role as financial adviser for Texas LNG and publicly commit to stay away from any role in financing any of the three proposed Rio Grande Valley LNG terminals.

Bank of the West, as BNP's largest U.S. subsidiary, bears a particular responsibility as the member of the BNP Family based in the country that would bear the brunt of the community and environmental impacts of the Texas LNG project. It faces acute reputational risk from BNP's involvement in Texas LNG and should ensure that the BNP Family ends its association with this indefensible project. While this report has focused on BNP Paribas and its role in Texas LNG, its analysis has clear relevance for all major global banks. All of them, particularly signatories of the Equator Principles, should stay away from any of the three proposed Rio Grande Valley LNG export terminals, in recognition of their grave climate, environmental and social impacts.

DEMANDS FOR BNP PARIBAS, INCLUDING BANK OF THE WEST:

- » Withdraw from its role as financial adviser for the project loan for the Texas LNG export terminal, from the company of the same name.
- » Publicly commit to stay away from any role in financing any of the three proposed LNG export terminals in the Rio Grande Valley: Texas LNG; Annova LNG, owned by Exelon; and Rio Grande LNG, owned by NextDecade.
- » Adopt a firm public policy that prohibits financing for LNG export projects, as well as for companies engaged in export terminal construction or operation, as a critical first step to getting out of gas and aligning its business with the international climate agreement.

DEMANDS FOR ALL OTHER BANKS:

- » Publicly commit to stay away from financing any of the three proposed LNG export terminals in the Rio Grande Valley, in recognition of their grave climate, environmental, and social impacts and their risks under Equator Principles commitments (where applicable).

APPENDIX

EQUATOR PRINCIPLES ANALYSIS OF THE TEXAS LNG PROJECT

Overview: The Equator Principles is a self-regulated framework for financial institutions to analyze and manage environmental and social risks when financing projects. When a project cannot demonstrate compliance with the Equator Principles, the Equator Principles Financial Institution (EPFI) must decline providing project finance or project-related corporate loans. For project finance advisory services, the EPFI requests that the client “explicitly communicates their intention to comply with the Equator Principles.”⁴⁷

Scope: The Equator Principles apply to projects with total capital costs over USD \$10 million. Given that the capital expenditure for the total Texas LNG project is predicted to be around \$2 billion, this project will certainly fall under the scope of the principles.⁴⁸ BNP Paribas has been appointed Financial Advisor for the Texas LNG project, which is a type of financial product covered under the Equator Principles.⁴⁹ As an EPFI itself, BNP Paribas must conduct an enhanced assessment as a precondition for its own involvement. BNP Paribas must also guide Texas LNG through a thorough application of the Equator Principles, as long as the bank remains involved with this project.

Principle 1: As part of the due diligence process before advising or financing a project, the EPFI must categorize the project according to its potential social and environmental risk: Category A indicates potential adverse risks that are diverse, irreversible, or unprecedented, while Category B indicates limited potential risks that are “generally site-specific” and can be addressed through mitigation. Category C indicates minimal or no adverse risks. Categorizing a project as Category A would thus trigger the most involved due diligence process at an EPFI such as BNP Paribas.⁵⁰

BNP Paribas is not required to publicly report on what category it has assigned the Texas LNG project or any other project in particular. In 2015, the last year for which this information is publicly available, BNP Paribas categorized 0 of the 13 project finance transactions it closed under the Equator Principles as

Category A, and 12 as Category B.⁵¹ The Texas LNG liquefaction terminal should be classified as Category A and subjected to strict scrutiny as to whether it can prove compliant with the Equator Principles at all.

BNP Paribas and other potential financiers must take into account how the potential risks and impacts of this terminal in fact span beyond the specific proposed site in the Rio Grande Valley. Burning the gas exported from the Texas LNG project would have the climate impact of 3.5 coal power plants; meanwhile, new analysis has found that in order to stay within globally agreed-upon climate change limits, no new transportation infrastructure can be built — including export terminals — as these facilitate new field and mine development.⁵² EPFIs must consider the climate impacts of the Texas LNG terminal, as well as the increased gas extraction it and other proposed terminals drive upstream, which is primarily done through the resource-intensive process of hydraulic fracturing.⁵³ Texas LNG itself argues that the construction of its terminal and other LNG export facilities will “effectively serve as additional demand for U.S. natural gas, which facilitates expansion in the domestic upstream sector.”⁵⁴ The impacts of worsening climate change from increasing natural gas production, particularly through fracking, are, of course, not site-specific and are extremely difficult to reverse.

Additionally, potential impacts to the population of the endangered ocelot, for instance, become irreversible if the species in Texas is driven to extinction due to the industrialization of their remaining habitat. As of August 2015, only 53 ocelots roamed South Texas, and it is crucial to their survival that they can freely cross into Mexico and breed with the ocelots there, by way of the same protected areas to which the proposed Texas LNG site would be dangerously close.⁵⁵ Moreover, the ocelot has been spotted on both sides of the Brownsville ship channel, indicating these animals likely swim across. Constructing a large industrial facility right where the ocelots potentially land onshore, in addition to increased ship traffic across the channel, threaten their existence.

Lastly, the Texas LNG project would be on an undeveloped greenfield site. Thus, any impacts to the area from new industry construction — including to nearby protected areas such as the Laguna Atascosa National Wildlife Refuge, where wetland restoration is ongoing — would be unprecedented.⁵⁶ The diverse range of impacts ripple into the region's economy; with the site surrounded by economies where ecotourism and shrimping are crucial, bringing new fossil fuel industry onto the horizon of this section of the Rio Grande Valley would definitively alter the local landscape and economy.

For all these reasons, the Texas LNG terminal must be a Category A project, and EPFIs should be extremely wary about its ability to comply with the Equator Principles at all.

Principle 2: Projects categorized as A or B require an assessment and proposed mitigation plan around environmental and social risks and impacts. This assessment should be as wide-reaching as possible in order to do justice to the aims of the Equator Principles. In its resource reports submitted to FERC as part of its formal application, Texas LNG purports that since the feed gas would come from a variety of sources, the impacts to air, water, and wildlife in extraction areas cannot be estimated. Yet as mentioned in Principle 1, the company does concede that export terminals drive increased extraction. The company continues, “Similarly, climate-related effects from methane leakage from incremental natural gas exploration, production, processing, and transmission cannot be known because there is a wide variety in methane leakage rates from these operations within Texas.”⁵⁷ Though Texas LNG still awaits an Environmental Impact Statement from FERC, the Equator Principles requires the client to undertake the risk assessment; these connected public health and climate effects are precisely what Texas LNG is failing to take into account in order to comprehensively characterize the scope of risks and impacts related to this project.

The Equator Principles takes the view that a project can have impacts beyond those at the project site. In the case of the Texas LNG project, a cumulative or programmatic review could include a review of all three of the terminals proposed for the Rio Grande Valley and their associated infrastructure, as well as the deepening of the Brownsville Ship Channel, which is necessary if LNG tankers are to pass through.⁵⁸ Texas LNG has argued against any sort of review. As an EPFI, BNP Paribas should encourage Texas LNG to analyze potential risks and impacts of the LNG industry it would be party introducing to the Rio Grande Valley.

Principle 3: The Equator Principles requires that Texas LNG comply with U.S. law, regulations, and permits, as the United States is a Designated Country “deemed to have robust environmental and social governance, legislation systems and institutional capacity designed to protect their people and the natural environment.”⁵⁹ The ongoing controversy around the Dakota Access Pipeline — where 13 EPFIs financed a project where consultation with Indigenous peoples was bungled and egregious human rights abuses were committed at the construction site⁶⁰ — shows the weakness of relying on host country laws to prevent environmental and social risks, even in the most developed countries. The strong Indigenous-led opposition to the Dakota Access Pipeline, as well as the global spotlight shone on the banks financing the project, should warn EPFIs that the Equator Principles are not enough to protect them from inflicting social harm through financed projects. Controversial projects can reveal grave environmental and social risks and impacts even with legal permitting in Designated Countries, thus posing significant reputational and financial risks for the banks involved.

Furthermore, if this project were in a Non-Designated Country, the applicable standards would be the International Finance Corporation Performance Standards on Environmental and Social Sustainability and the World Bank Group Environmental, Health and Safety Guidelines. That is, if this project were planned just across the border from its current site in Mexico, the analysis of the project could look quite different: the Free, Prior, and Informed Consent of Indigenous peoples would be required, and the client would be required to demonstrate that the project does not lead to measurable impacts on critical habitats including habitats of endangered species. EPFIs should be wary of the ironic protection this project receives by being proposed just a few miles on the U.S. side of the U.S./Mexico border, especially given the recent example of how this system failed the Standing Rock Sioux tribe in the case of the Dakota Access Pipeline.

Principle 4: Category A and B projects must produce an Environmental and Social Management System and an Environmental and Social Management Plan to address concerns from the assessment, based on the applicable standards — which in the case of Texas LNG, would be the applicable U.S. laws, regulations, and permits.

Principle 5: Projects categorized as A or B must “demonstrate effective Stakeholder Engagement as an ongoing process in a structured and culturally appropriate manner with Affected Communities and, where relevant, Other Stakeholders,” with particular process points for Indigenous peoples.⁶¹ In Designated Countries, the EPFI assumes that this is secured through processes required by host country law, which as previously stated, should not be a reassurance to a diligent EPFI.

Development of Texas LNG poses a very real threat to cultural resources of Indigenous peoples, which the company has not adequately addressed. The National Park Service, in its official comments to FERC, noted that “[t]he proposed Texas LNG terminal site contains one of the premier prehistoric archeological sites in Cameron County, the Garcia Pasture Site. The Garcia Pasture Site (41CF8), which is listed on the National Register of Historic Places, has known burials, discrete shell working areas, and contact period artifacts.” The NPS continues, “archaeologists with a working knowledge of the area have long since considered 41CF8 to be a site possessing archeological significance and research values critical to the understanding of the late prehistoric and protohistoric indigenous cultures of the delta,” and that “[Texas LNG] did not do a thorough enough job in researching and understanding the Garcia Pasture site, nor the prehistoric archeology of the Rio Grande Delta and deep South Texas.”⁶² As the Sierra Club explains, “The resource report also severely downplays the importance of the site and fails to include the fact that remains have already been excavated: an indigenous cemetery, remains of a pre-Columbian village, and many artifacts from nomadic cultures.” Rolando Garza, a Brownsville archaeologist with the National Park Service, maintains that “this site warrants long-term preservation.”⁶³

This is especially concerning because while Texas LNG did contact some Indigenous tribes for their Cultural Resources report, they failed to contact the Carrizo/Comecrudo Tribe of Texas, a tribal group also known as the Esto’k Gna, who originate from the South Texas Rio Grande Delta.⁶⁴ The Garcia Pasture sites is of particular historical and cultural significance to these important stakeholders. The Equator Principles require Free, Prior, and Informed Consent of Indigenous communities on projects that impact their traditional lands in developing countries. Banks committed to the spirit of the Equator Principles require FPIC worldwide in order to ensure that all impacted tribes participate in the processes that will impact them.

Principles 6-8: All Category A and some Category B projects in Non-Designated Countries must include a grievance mechanism for affected communities, as well as contract an independent review of all of the client’s documentation under the Equator Principles, so that the consultant can assess whether the project is able to comply with the Principles. Texas LNG makes no mention of a grievance mechanism for affected communities in its application to FERC. Additionally, all projects must include covenants around compliance with host country laws, while projects in Categories A and B must also include covenants around compliance with and reporting on the Equator Principles and the associated documentation. Any contract between BNP Paribas and Texas LNG should covenant the strictest of environmental and social protections, especially given the deteriorating state of environmental safeguarding under the host country’s new administration.

Principle 9: The loan must be monitored after financial close and over its entire lifetime. For Category A projects, and Category B projects by discretion, the EPFI must appoint an independent expert to verify its monitoring. The example of the Dakota Access Pipeline demonstrates how a situation can change over the lifetime of a loan. Though consultation with Indigenous peoples for this project was faulty from the onset, the horrifying human rights abuses from private security forces hired by Energy Transfer Partners, the project sponsor, came to light after about a third of the project finance loan had already been disbursed. EPFIs would be wise to avoid financing a project such as Texas LNG where Indigenous peoples’ sacred sites are threatened at the same time that not all Indigenous stakeholders were contacted.⁶⁵

Principle 10: This principle includes additional disclosure requirements, including that the EPFI must report on financial transactions closed under the Equator Principles. Additionally, the client must publicly report on greenhouse gas emission levels for projects in operation that emit over 100,000 tonnes of CO₂ per year. Texas LNG would have to report on the greenhouse gas emissions of its liquefaction operations, though of course this would underestimate the full climate impact of the project.

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ACKNOWLEDGEMENTS

This report was written by Alison Kirsch, Grant Marr, and Jason Opeña Disterhoft of Rainforest Action Network (RAN), and Lucie Pinson of Les Amis de la Terre France. Thanks to Patrick Anderson, Bob Radnik, Bill Berg, Jim Chapman, and Stefanie Herweck of Save RGV from LNG. Save RGV from LNG is a community group that has worked to oppose LNG terminals in the Rio Grande Valley since 2014. Thanks also to Karen Vermeer, Johan Frijns, and Yann Louvel of BankTrack for their guidance.



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