To:
CHAIRMAN CHEN SIQING
INDUSTRIAL AND COMMERCIAL BANK OF CHINA
BY EMAIL AND FAX

SUBJECT: EAST AFRICA CRUDE OIL PIPELINE

19 May 2020

Dear Chairman Chen,

We are writing to you regarding the East Africa Crude Oil Pipeline, a proposed 1,445-kilometer pipeline from Hoima, Uganda to the port of Tanga in Tanzania. Since 2017, China National Offshore Oil Corporation (CNOOC) has been working with French and UK oil companies Total and Tullow to develop the project, which will exploit an estimated 1.8 billion barrels of untouched oil in western Uganda.¹

We understand that a project finance loan of USD2.5 billion is required for this project to proceed, and that Standard Bank of South Africa and SMBC of Japan were appointed as advisers to the project in 2017. A Final Investment Decision was due from the Ugandan Government in January 2020, but this appears to have been delayed.

We are contacting ICBC as it has been identified as a previous financier of CNOOC. We are aware that ICBC is the majority shareholder of Standard Bank, and that it has also been mentioned in media reports as advising CNOOC regarding the project.

BankTrack, Africa Institute for Energy Governance (AFIEGO), Inclusive Development International (IDI) and 350Africa.org, in collaboration with local organisations in Uganda and elsewhere in the East Africa region, is urging banks to publicly commit to steer clear of financing this project based on the severe risks it poses to communities, nature and the climate – risks which we do not consider can be adequately managed.

Key risks and impacts from the project include:

- Some 400km of the pipeline will traverse the Lake Victoria basin, where an oil spill could prove disastrous for the estimated 30 million people that rely on the lake’s watershed for drinking water and food production. Both the oil extraction and the pipeline will impact Ramsar wetlands.

- The pipeline is linked to the development of oil fields around the Great Lakes region of Uganda and neighbouring DR Congo, which threatens to open up national parks, including Murchison Falls National Park, to industrial oil extraction. A petition signed by almost 140,000 people describes this as “a disaster in the making”. It is not too late to save this important wildlife habitat and critical ecosystem from industrial development, however if EACOP proceeds the impacts on this area are likely to be severe and irreversible.

¹ More information on the project can be found here: https://www.banktrack.org/project/east_african_crude_oil_pipeline
• As is increasingly recognised by national governments as well as scientists, we are in a time of climate crisis, and there is no room in the planet’s carbon budget for new oil extraction and infrastructure projects. The indirect emissions from this pipeline, including the burning of the oil it will carry, are estimated to amount to some 34 million tonnes of CO2, an amount which dwarfs the current annual emissions of the host governments and is equivalent to the annual emissions of Denmark.

• The Environmental and Social Impact Assessment (ESIA) for the project’s Ugandan portion has been declared “not fit for purpose” by the Ugandan government’s own advisers. An independent quality review of the document by the Netherlands Commission for Environmental Assessment (NCEA), carried out at the behest of the National Environmental Management Authority, concluded that “the ESIA report does not yet provide enough information for sound decision making”. However, several of the gaps identified by the NCEA and Ugandan stakeholders including communities, cultural institutions, religious leaders, women, youth, CSOs, and others, have not been addressed and the ESIA remains “not fit for purpose”.

• The pipeline poses risks of human rights violations, including from resettlement, and threatens the loss of employment and livelihoods of tens of thousands of people. Hundreds of families, mainly subsistence farmers, have already been forced from their land, sometimes violently, to make way for access roads and feeder pipelines around the Albertine basin.

• There is growing local concern regarding the pipeline and associated oil development. A group of 20 African civil society organisations, including nine from Uganda, recently joined 10 international organisations to call on the lead arranger banks not to finance the pipeline.

Beginning with the Green Credit Guidelines in 2012, China’s banking regulator has issued a number of guiding documents that call on Chinese banks to carry out due diligence and identify, assess, monitor and control social and environmental impacts associated with projects that they finance, both in China and overseas. Financing these project does not appear to be consistent with these guidelines. This project risks failing to uphold the fundamental principles of mutual respect and “win-win cooperation”.

Supporting this project does not align with China’s commitment to develop the “Green Belt and Road”, as articulated in the Guidance on Promoting Green Belt and Road, developed by China’s Ministry of Environmental Protection, Ministry of Foreign Affairs, and National Development and Reform Commission & Ministry of Commerce (NDRC). It would also go against the commitment set out in the Vision and Actions on Energy Cooperation in Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road, issued by the NDRC and the National Energy Administration, which states “We will attach great importance to the issue of environmental protection in the process of energy development, and strive to encourage the efficient development and utilization of clean energy. We will strictly control the emission of pollutants and greenhouse gases, raise energy efficiency and contribute to green and efficient development in all countries.”

Finance for this project would be difficult to reconcile with ICBC’s stated commitment to green finance, as articulated in your 2018 Corporate Social Responsibility Report, which emphasizes the importance of environmental protection and public welfare. We also note that ICBC recently signed on to the UN’s Principles for Responsible Banking, which includes a commitment for the bank to align its business strategy with the goals of the Paris Climate Agreement and the Sustainable Development Goals. Financing a project with such serious social and environmental impacts would go against these important commitments.

To conclude, we consider this project presents severe risks to local people through physical displacement and threats to incomes and livelihoods, as well as to water, biodiversity, natural habits and climate change. As such we urge your institution to avoid participating in the financing of this project.
We are happy to provide further information about these risks, and to organise discussions including with representatives of affected groups in Uganda that consider this project threatens their environment and livelihoods, to help in your consideration of this matter.

Given the urgency of the situation and the possible Final Investment Decision now overdue, we would like to request a response to this letter by 12th June 2020. We would be happy to discuss the matter further at a mutually convenient time.

Yours sincerely,

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BankTrack

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