

# BANKTRACK

## **ANALYSIS: STANDARD CHARTERED INVOLVEMENT IN THE CARMICHAEL COAL MINE PROJECT WOULD BE 'NON-STANDARD' AND 'UNCHARTERED', ON THE BANK'S OWN TERMS**

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“Sustainability to us is not just about using less energy, or raising money for good causes, although we are proud of our efforts in both. Sustainability is embedded in our brand promise, Here for good, and affects every single thing we do...”

Standard Chartered, Sustainability Summary 2014<sup>1</sup>

Following public commitments from 11 international banks<sup>2</sup> in the last 18 months that they will not become involved in the financing of major new coal mining or infrastructure projects in Australia's Galilee Basin in Central Queensland, the UK bank Standard Chartered<sup>3</sup> remains one of the main western (and non-Australian) private banks still in the running to fund the proposed Carmichael mine<sup>4</sup> and associated rail and export infrastructure currently being promoted by the Indian multinational conglomerate Adani Group.

What makes Standard Chartered's stance and future actions in the Galilee Basin of such significance is that the bank has already been playing an advisory role for Adani regarding the development of the Carmichael mine.<sup>5</sup> Moreover, during recent legal proceedings, an Australian court heard testimony from a senior executive at Adani's Australian mining subsidiary that the company received a US\$680 million loan from Standard Chartered.<sup>6</sup> While the purposes of this loan are disputed, there is considerable conjecture that this substantial sum is already contributing to Adani's development plans in the Galilee Basin.

Thus, Standard Chartered has recently become the focus of close scrutiny from environmental organisations and the media alike regarding its intentions towards the Galilee coal projects. At its May 6 AGM in London, *The Guardian* reported Standard Chartered's chairman Sir John Peace as saying the bank will “review its involvement” in the Carmichael mine, and that the bank “would go 'no further' with the Carmichael mine until it had looked at the project's environmental credentials”.<sup>7</sup>

Amidst growing global pressure to fully distance itself from the highly controversial Galilee coal projects, and again as reported by *The Guardian*, Standard Chartered has claimed of the alleged US\$680 million loan that “it was not in contravention of its lending policies, which state that it will 'restrict the provision of financial services' to clients in the fossil fuel power generation sector who would have a significant impact on Unesco world heritage sites or protected wetlands.”<sup>8</sup>

This analysis assesses the policies and position statements of Standard Chartered that are publicly available and of relevance to any future financial backing from the UK bank for Adani's slated coal mining and infrastructure projects in Australia. It shows that Standard Chartered will only be able to involve itself in the financing of these projects by contravening its own guidelines.

As per its corporate motto, Standard Chartered financing of these projects will be 'Here for good', but in a decidedly negative sense of the term – negative for human rights impacts, for environmental impacts and for climate change impacts.



## WHAT STANDARD CHARTERED COULD FINANCE – THE CARMICHAEL AND ABBOT POINT INTEGRATED PROJECTS

Several major integrated coal projects are planned for Central Queensland, each of which comprises an open-pit coal mine, a railway and coal loading facility. The largest project is the Carmichael mine, estimated to need AU\$16.5 billion in external financing, and which would produce up to 60 million metric tons per annum of coal for export at peak production. The mine would move coal on a planned rail line to Abbot Point, where Adani plans to build a coal loading facility, which would require dredging in the Great Barrier Reef World Heritage area.

The catalogue of heavy human rights, environmental, social and climate change impacts that many observers predict would result if this project advances is referred to in the individual analysis points below.

### UNDER ANALYSIS

This analysis considers one policy and four position statements of several that Standard Chartered currently has published on the sustainability section of its website under both the heading 'Our standards and policies' and the general rubric: "To help our clients reach the highest environmental and social standards, we have developed policies and procedures that, together with the Equator Principles, form the bedrock of our sustainability risk management approach."<sup>9</sup>

These five documents have been chosen for analysis based on their specific relevance to the Carmichael project. Standard Chartered's position statement on Climate change<sup>10</sup>, for instance, is not included here despite the Carmichael coal mine project's projected extremely heavy toll on the climate – the reason being that this position statement's language only goes as far as 'encouraging' Standard Chartered clients to implement vague or voluntary measures that might reduce their climate impact. Standard Chartered's position on climate change is in no way equipped to deal with the Galilee projects that could cumulatively become one of the world's greatest potential sources of CO<sub>2</sub> emissions.

The following provision, stated in all of Standard Chartered's position statements, should be borne in mind: "While the [Standard Chartered] Group voluntarily adheres to these non-legally binding Position Statements, they reflect our aspiration to apply these principles consistently and to conduct our business with the highest standard of ethics and integrity. All staff are required to adhere to the Position Statements and endeavour to achieve these goals in line with our Group Code of Conduct and to live up to our brand promise of Here for good."

Our presumption is that even if – as stated – these position statements are 'voluntary' and 'non-legally binding', Standard Chartered clearly places major importance on them and on its staff's fulfilment of the conditions and goals stated within them. Failure to do so, in our interpretation, would seriously undermine not only the bank's keenly stated sustainability aspirations but also its reputation more widely.

Each policy or position statement is referenced, and selected relevant extracts from them are provided in blue text, accompanied by BankTrack commentary pertaining to the potential involvement of Standard Chartered in financing for the Carmichael coal mine project.

### INFRASTRUCTURE POSITION STATEMENT<sup>11</sup>

Standard Chartered is aware that in some circumstances environmental and or social risks and impacts cannot be successfully mitigated. In the infrastructure sector we will therefore restrict the provision of financial services to Corporate and Institutional, Commercial, and Retail Business Clients who:

- Do not significantly impact upon, or have operations located within, UNESCO World Heritage Sites and RAMSAR Wetlands

For the purposes of this Position Statement, infrastructure refers to the construction, operation and decommissioning of transportation facilities (ports, harbours, terminals, airports, railways, and toll roads),



water and waste management facilities, energy infrastructure, telecommunications (e.g. pipelines, fibre optic and electrical cables).

**Commentary:** This Standard Chartered position statement has clear application to the Carmichael coal mine project's development of a new coal export terminal at Abbot Point, which poses severe risks to the Great Barrier Reef World Heritage area, one of the world's most cherished natural icons. The Great Barrier Reef's unique ecosystems are under threat from this and other new coal export terminal proposals that will involve dredging, dumping, sharp increases in movements of huge coal ships through the Reef environment and other impacts required to build and operate the terminals.

The Australian Coral Reef Society recently noted<sup>12</sup> that plans to expand Abbot Point Port will damage the 'outstanding universal values' of the Great Barrier Reef World Heritage Area. Damage will result from pollution caused by dredging the Reef sea floor, and from the dumping of that material. This pollution will also destroy habitat that is vital for a range of species, including turtles, dugongs and dolphins, while hundreds of hectares of important seagrass meadow habitat will also be lost. In June 2014, UNESCO's World Heritage Committee noted dredging and dumping for the Abbot Point development with concern<sup>13</sup>, giving the Australian government until 2015 to ensure the health of the reef. They have threatened placing the Great Barrier Reef on the List of World Heritage in Danger, potentially jeopardising the AU\$6 billion<sup>14</sup> reef tourism industry.

The Australian Coral Reef Society also notes that despite a new plan from the Queensland government to dispose of the dredge spoil on a new site adjacent to Caley Valley Wetlands, a potential Ramsar Site, there are major concerns that "many of the suspected impacts of the plan to dump in the wetland will still be relevant, particularly during flooding and cyclone events which are not rare in the region."<sup>15</sup>

It is a surefire certainty that Adani's plans will have a 'significant impact' upon a UNESCO World Heritage site. The question is – how severe will this impact be?

#### **TRANSPORT POSITION STATEMENT<sup>16</sup>**

Standard Chartered is aware that in some circumstances environmental and or social risks and impacts cannot be successfully mitigated. In the transport sector we will therefore restrict the provision of financial services to Corporate and Institutional, Commercial, and Retail Business Clients who:

- Do not significantly impact upon, or have operations located within, UNESCO World Heritage Sites and RAMSAR Wetlands

For the purposes of this Position Statement, transportation includes road, airlines, shipping and railways, including the transport of hazardous materials.

**Commentary:** This Standard Chartered position statement has clear application to the Carmichael coal project's development of a new coal export terminal at Abbot Point. For the reasons stated above regarding Standard Chartered's Infrastructure position statement, the bank would also be contravening its Transport position statement should it finance Adani's proposed project.

#### **WATER POSITION STATEMENT<sup>17</sup>**

Recognising the scale of the challenge represented by water scarcity and that water as a resource should be preserved, in addition to any requirements which apply to a specific sector we encourage our clients to:

- Reduce water usage where the operations or project is a potentially significant consumer of water so that the project's water consumption does not cause or contribute to unacceptable water stress on third parties (including local communities), in accordance with IFC Performance Standard 3 as appropriate

This Position Statement applies across all sectors.



**Commentary:** The Carmichael coal mine project poses a threat to Central Queensland water security and to the viability of local farming businesses. Hydrocology Environmental Consultancy has provided a figure, based on estimates from the project proponents, of the annual peak water demand of the Carmichael mine, likely to be the most water-intensive mine of the mines proposed for development in the Galilee Basin: 10,000-24,500 million litres per year.<sup>18</sup> The project will create considerable damage at the mine site, with unsustainable quantities of water-use and damage to nationally significant local water-systems<sup>19</sup>. Modelling of these impacts on both ground and surface water has been inadequate, with the proponent of the project's nominated water expert recently describing models as 'cartoonish' in court.

Furthermore, Great Barrier Reef tourism operators have expressed concerns about the impact that lower water quality and other environmental damage will have on their AU\$6 billion per year industry.

### **MINING AND METALS POSITION STATEMENT<sup>20</sup>**

Standard Chartered recognises the mining sector faces potential environmental and social challenges, some of which may include the release of pollutants from tailings dams and acid mine drainage, the removal of habitat and degradation to biodiversity and ecosystem services, reduction in water availability from water intensive processing techniques and large-scale landscape impacts. Potential social concerns include the displacement of communities and indigenous peoples, poor labour and working conditions, occupational health and safety risks, human rights abuses associated with security at operating sites and a lack of accountability and transparency of mineral revenues in host countries and communities.

For the purpose of this Position Statement, mining and metals refers to mining companies and producers of metals which engage in the following activities: exploration, mine construction, minerals and construction materials extraction and mine operation, all metal and minerals processing activities and mine closure and rehabilitation. It also includes any party who trades in rough diamonds.

**Commentary:** Standard Chartered's position statement notes a range of human rights related impacts associated with mining, yet its commitments and remedies for this sector – including reference to IFC Performance Standards and guidelines provided by the likes of the International Labour Organisation – are subject to caveat: they are only applicable, according to the position statement, where mining operations, and their potential adverse environmental and social impacts, “are located in countries which are not High Income OECD members”. Australia is a high income OECD member, and thus the Mining and metals position statement has no application to Adani's Carmichael coal mine plans.

### **HUMAN RIGHTS POLICY<sup>21</sup>**

Standard Chartered's Human rights policy is a one page document that primarily expresses support for the 1948 UN Universal Declaration of Human Rights (UDHR). As such, the bank's aim to “uphold, in all circumstances” the fundamental rights contained in the UDHR is noted.

However, the Carmichael coal mining project has the potential to cause harm to indigenous peoples, and here Standard Chartered's status as a signatory to the Equator Principles is of particular relevance.

The Wangan and Jagalingou people<sup>22</sup> of the Carmichael area have clearly articulated opposition to the Carmichael mine, launching a public campaign<sup>23</sup> in March 2015 in opposition to the mine, which would destroy their traditional lands and damage their culture. The Equator Principles prohibit project finance in cases with adverse impacts on indigenous people where they have not been granted Free, Prior, Informed Consent. In addition, the right to FPIC is derived from the right to self-determination affirmed in the covenants to the UDHR.<sup>24</sup>

More widely when it comes to the Equator Principles, as a signatory to the principles Standard Chartered has a responsibility to restrict financing for all or any projects that harm World Heritage sites, degrade critical habitat and impact on endangered species or that harm indigenous peoples' rights. Financing Adani's Carmichael coal mine would be demonstrably inconsistent with the environmental, social and governance commitments that Standard Chartered has undertaken to uphold as an Equator Principles signatory.<sup>25</sup>



## REFERENCES

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- 1 [Standard Chartered Sustainability Summary 2014](#).
- 2 The Guardian, 2015. Australian banks under pressure after French lenders rule out funding Galilee Basin coalmines, 8 April 2015.
- 3 [BankTrack Coal Banks background on Standard Chartered](#).
- 4 [BankTrack Coal Banks background on the Carmichael coal mine project](#).
- 5 The Guardian, 2015. [Standard Chartered vows to review role in Australian coal mine project](#), 6 May 2015.
- 6 The Guardian, 2015. [Standard Chartered faces pressure to cut links to Australian 'carbon bomb' project](#), 5 May 2015.
- 7 The Guardian, 2015. [Standard Chartered vows to review role in Australian coal mine project](#), 6 May 2015.
- 8 The Guardian, 2015. [Standard Chartered faces pressure to cut links to Australian 'carbon bomb' project](#), 5 May 2015.
- 9 Standard Chartered website. [Our standards and policies](#).
- 10 [Standard Chartered Position Statement – Climate Change](#).
- 11 [Standard Chartered Position Statement – Infrastructure](#).
- 12 Australian Coral Reef Society, March 2015. [The Impacts of the Abbot Point Port Development on the Outstanding Universal Value of the Great Barrier Reef World Heritage Area](#).
- 13 [UNESCO, 38<sup>th</sup> session, Doha 2014](#).
- 14 Deloitte Access Economics, March 2013. [Economic Contribution of the Great Barrier Reef](#).
- 15 Australian Coral Reef Society, March 2015. [The Impacts of the Abbot Point Port Development on the Outstanding Universal Value of the Great Barrier Reef World Heritage Area](#).
- 16 [Standard Chartered Position Statement – Transport](#).
- 17 Standard Chartered Position Statement – Water.
- 18 Hydrocology Environmental Consulting, September 2013. [Draining the Life-blood: Groundwater Impacts of Coal Mining in the Galilee Basin](#).
- 19 Ibid.
- 20 [Standard Chartered Position Statement – Mining and Metals](#).
- 21 [Standard Chartered Human Rights Policy](#).
- 22 [Wangan and Jagalingou Family Council website](#).
- 23 The Guardian 2015. [Aboriginal group fights to stop \\$16bn Carmichael coalmine, Australia's largest](#), 25 March 2015.
- 24 The Equator Principles state: “Consistent with the special circumstances described in IFC Performance Standard 7 (when relevant as defined in Principle 3), Projects with adverse impacts on indigenous people will require their Free, Prior and Informed Consent (FPIC)”. Principle 3 indicates that the applicable environmental and social standards for projects located in “Designated Countries” such as Australia are the relevant host country laws, regulations and permits, rather than the IFC Performance Standards, as these are taken to meet the Equator Principles requirements concerning, inter alia, stakeholder engagement, including FPIC. It is clear that the intention is that the principle of FPIC should be upheld, whether flowing from the IFC Performance Standards or host country laws and regulations.
- 25 For an overview of the Equator Principles and their implication for Galilee Basin project financing, see: Australian Conservation Foundation. [The Equator Principles and financing of coal projects in the Galilee Basin](#).

