

INVESTING IN AMAZON DESTRUCTION

WHY PRIVATE FINANCIAL INSTITUTIONS MUST DIVEST FROM AMAZON CRUDE — NOW

Executive Summary

As this report goes to print, many communities are struggling to recover from the climate chaos of 2017. While wildfires, hurricanes, and floods are naturally-occurring events, their recent intensity and frequency give us a glimpse of the devastation to come if we don't act now.

The prevailing science says the world needs to keep two-thirds of proven fossil fuel reserves in the ground to avoid reaching 2°C of warming and to have a fighting chance at escaping the most catastrophic effects of climate change.¹ Nevertheless, many governments and companies continue to build infrastructure and explore for more fossil fuel reserves in places critical to climate stability, like the Amazon rainforest. If they continue to expand into this and other fossil fuel frontiers, the world will miss the Paris Accord targets by a long shot, and the climatic consequences will likely be more severe than we can now even imagine.

Expanding Amazon the fossil fuel frontier doesn't just spell disaster for the climate. Much of this expansion directly overlaps the ancestral territories of indigenous peoples, often violating their legally-guaranteed right to reject projects they do not want and placing them on the front lines of the environmentally — and culturally — damaging impacts of such projects.

Although fossil fuel companies do the drilling, they would not have the capital they need to expand the fos-

sil fuel frontier into primary rainforests and indigenous territories and trample on human rights if it were not for the financial institutions that provide the capital for that expansion. Professed corporate commitments to environmental and social responsibility notwithstanding, private financial institutions are literally bankrolling the path to an unlivable and inequitable world.

Amazon Watch research found that two of the world's largest private financial institutions, JPMorgan Chase and BlackRock, are invested in companies, like GeoPark, Frontera Energy, and Andes Petroleum, that currently hold licenses to explore and/or drill in the Western Amazon's fossil fuel frontier in blocks on or near the territories of indigenous nations that have not been properly consulted or have explicitly rejected the presence of oil drilling on their land.

The threat to climate stability, biodiversity, and indigenous rights posed by oil extraction in the Amazon directly translates to serious legal, reputational, political, and financial risks for the operating companies and their financial backers. Failing to recognize and act on these risks means that these financial institutions — and ultimately their investors and customers — will face significant economic and reputational repercussions.

**The time for *all* actors
– including financial institutions –
to divest from Amazon crude is NOW.**



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Introduction

The Global Imperative to Keep Fossil Fuels in the Ground and Protect Indigenous Rights

Make no mistake: the extreme climate disruption experienced by communities around the world in the Summer and Fall of 2017 is fossil-fueled. While it is true that wildfires, hurricanes, and floods are natural, the intensity and frequency of these events — in a world that has already warmed more than 1.1°C since the 19th century² — give us a glimpse of the climate chaos to come if we don't act now. Most of the warming has occurred in the last 35 years, with sixteen of the last seventeen being the hottest on record.³

Scientific research says we need to keep two-thirds of proven fossil fuel reserves in the ground to keep from hitting 2°C and have a fighting chance at avoiding the catastrophic effects of climate change.⁴ If this summer and fall are any indication, we need to stop digging, now.

Nonetheless, governments and companies continue to build additional infrastructure in the search of more fossil fuel reserves in places critical to climate stability like the Amazon and the Arctic. If we continue to open up the fossil fuel frontier, the world will miss the Paris Accord targets by a long shot, and the climate chaos will only get worse.

But we don't have to look far to find the drivers behind this expansion into the fossil fuel frontier and its climate

consequences. Many of the climate villains were unmasked in a September 2017 study, which found that 90 major industrial carbon producers contributed approximately 43 percent of the observed rise in atmospheric CO₂, causing about 29 to 35 percent of the rise in global mean surface temperature and between 11 and 14 percent of global sea level rise since 1980.⁵

Given that they have been aware of their role in contributing to climate change since at least the 1960s,⁶ fossil fuel companies have a particular responsibility to, at minimum, cease doing harm. And, as Oxford University Professor Henry Shue writes, “ceasing to contribute to harm includes ending exploration for additional fossil fuels.”⁷

The harm caused by expanding the fossil fuel frontier does not just spell climate disaster, however. Much of this frontier directly overlaps with the ancestral territories of indigenous peoples, placing them on the front lines of the environmentally — and culturally — damaging impacts of such projects and often trampling their right, fully recognized in international law, to reject projects they do not want.

Furthermore, leading researchers like those at the World Resources Institute continue to demonstrate that involving indigenous peoples in land management and protecting their land rights provides one of the most effective strategies for stopping deforestation, and therefore for climate change mitigation.⁸

An October 2017 march in Oakland, CA calls on U.S. financial institutions to stop banking on climate destruction and indigenous rights violations.



Financial Institutions Provide the Primary Business Tool for Oil Companies - and Assume Their Risks

Fossil fuel companies would not have the capital they need to expand the fossil fuel frontier and infringe on indigenous rights if it were not for the financial institutions bankrolling that expansion. “Financial services companies provide the capital, security, and the foundation needed for economic growth in both the domestic and global markets,” proclaims the Financial Services Roundtable, an industry group of which leading financial institutions like JPMorgan Chase and BlackRock are members.⁹

So while it is the fossil fuel companies that do the drilling, and as such, bear great responsibility for the climate and human rights impacts of their activities, the investments of financial institutions make the drilling possible and provide the tools with which to relentlessly expand operations. As the Task Force on Climate-Related Financial Disclosures wrote in its 2017 recommendations, “Large asset owners and asset managers sit at the top of the investment chain and, therefore, have an impor-

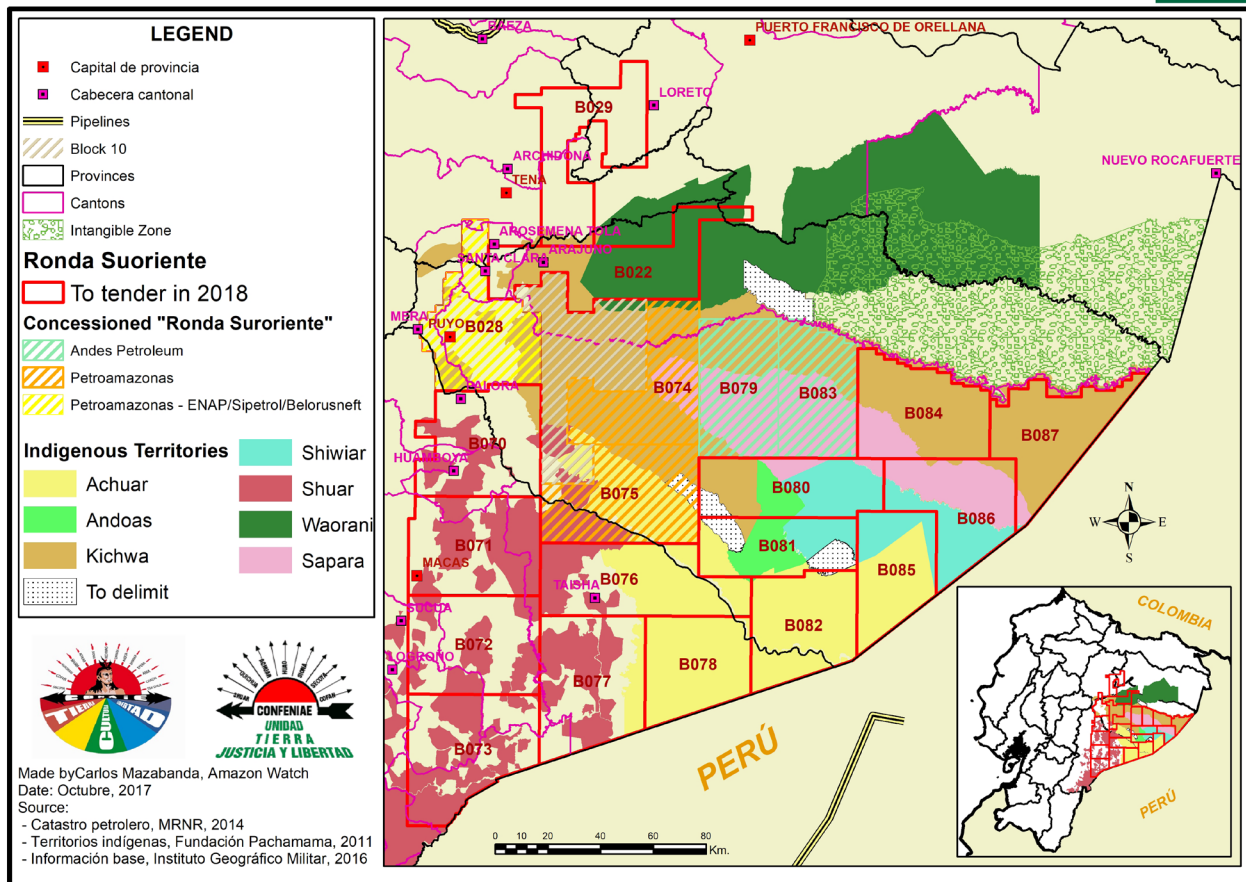
tant role to play in influencing the organizations in which they invest...”¹⁰

By providing equity investments and loans to fossil fuel companies at various stages of production, and even entering into contracts to purchase their products, banks provide startup and working capital, as well as consumer demand, to companies that produce fossil fuels.

In the case of the Amazon rainforest, Amazon Watch research found that two of the world’s largest private financial institutions, JPMorgan Chase and BlackRock are invested in companies, including GeoPark, Frontera, and Andes Petroleum, that currently hold licenses to explore and drill in oil blocks overlapping or near the rainforest territories of indigenous nations opposed to oil extraction. The consequences of these investments are dire for the climate, for the affected indigenous people, and for the security of JPMorgan and BlackRock’s investments.

It is true that many financial institutions, JPMorgan and BlackRock included, have made corporate responsibility commitments, both as individual institutions and as part of joint initiatives like the Equator Principles (see

INDIGENOUS TERRITORIES AND OIL BLOCKS TO TENDER IN 2018 IN THE ECUADORIAN AMAZON





Achuar families demonstrate their rejection of oil drilling in their territory in October 2017

more in addendum, below). Some have even made investment changes, like JPMorgan’s decision to phase out financing for coal mining.¹¹

But these commitments often fall woefully short of what is needed to keep the world from a future of 2°C warming and to respect the rights of indigenous peoples. To date they have yet to address investments in oil drilling in the Amazon, leading Amazon Watch to join the movement calling on financial institutions to put their money where their mouth is and divest from Amazon crude oil drilling.

Frontier Fossil Fuel Extraction in the Amazon: Deadly for the Climate, Biodiversity, and Indigenous Peoples

The Amazon rainforest is an unparalleled global treasure. Encompassing an area the size of the continental United States, the world’s largest rainforest covers 40% of South America, produces a fifth of the world’s flowing freshwater, and hosts 30% of global biodiversity.¹²

The trees of the Amazon rainforest have long served as a key carbon sink and oxygen producer for the entire world — the lungs of the planet.¹³ However, new research indicates that deforestation and degradation caused largely by industrial development has begun to limit the rainforest’s ability to absorb carbon.¹⁴ “Destroying the Amazon... is like shooting yourself in the foot,” says leading climate scientist Antonio Nobre. “The Amazon is a gigantic hydrological pump that brings the humidity of the Atlantic Ocean into the continent and guarantees the irrigation of the region.”¹⁵ The lead author of a March 2017 report from the German Potsdam Institute for Climate Impact Research put it another way: “The

Amazon rainforest is one of the tipping elements in the Earth system.”¹⁶

The opening of new oil drilling concessions constitutes one of the most serious threats to the western region of the Amazonian biome. Existing and proposed oil and gas blocks in the Amazon cover over 280,000 square miles, an area larger than the state of Texas. While oil and gas are presently extracted from only about 7 percent of these blocks, hydrocarbon exploration is occurring in an additional 52 percent and national governments aim to lease more land to energy companies in the coming years.¹⁷ Ecuador, for example, will soon open a new bidding round on oil blocks not currently under contract in the Amazon.¹⁸

When the rainforest is destroyed from impacts associated with oil drilling, it threatens not just the climate and biodiversity but the health and way of life of hundreds of distinct indigenous peoples encompassing hundreds of thousands of individuals who have lived in this region for millennia. These indigenous peoples not only protect the natural environment but also rely on the rainforest for their livelihoods and wellbeing. From hunting in the forest, to fishing in the many tributaries of the Amazon River, to cultivating subsistence crops in small village plots, the cultures of indigenous peoples and traditional communities are shaped by their relationships with the forest and rivers.

Oil operations have particularly toxic impacts on the health of indigenous communities. In one oil-producing region of the Peruvian Amazon, 98 percent of children in indigenous communities have high levels of toxic metals in their blood as a direct result of oil extraction waste products in their environment, and the country’s Environmental Ministry declared four river basins impacted by an oil company’s operations “environmental emergencies.”¹⁹

Several of the oil blocks under concession or soon to be auctioned overlap with extraordinarily diverse forests such as Ecuador’s Yasuni National Park, a UNESCO Biosphere Reserve.²⁰ Experts consider the park among the most biodiverse places on the planet — just one hectare contains more local species of trees than identified in all of the U.S. and Canada combined²¹ — and boasts record levels of insects, birds, and mammals. It is also home to members of the country’s last two indigenous peoples living in voluntary isolation, the nomadic Tagaeri and Taromenane indigenous nations. Most of the barrels of crude oil extracted from this vulnerable region will likely be sold in the U.S., primarily in California.²²

Given its immense value to climate mitigation, not to mention to the hundreds of indigenous nations that call it home, the Amazon is the last place to continue expanding an industry that is imperiling the planet's future. Along with the companies that do the actual drilling, the financial institutions that invest in those companies bear responsibility for this threat to our climate and to the rights and lives of the Amazon's indigenous peoples.

U.S. Private Financial Institutions Financing Amazon Oil Extraction

According to research conducted by Amazon Watch during August 2017, many private financial institutions based in the United States invest in companies that currently drill, or plan to drill, for oil in the Amazon. These financial institutions include household names, like JPMorgan Chase, and lesser-known but powerful asset managers like BlackRock, despite the fact that both institutions promote their social and environmental responsibility.

Amazon Watch reviewed investment data for three companies — GeoPark, Frontera Energy, and Andes Petroleum — playing a key role in oil exploration and extraction in the Western Amazon. These three companies each hold concessions for oil blocks located in the Amazon fossil fuel frontier and that are on or near the territories of indigenous peoples who have openly expressed rejection of drilling but which have not been effectively consulted per FPIC requirements.

The three companies are varied: they include a small Santiago-based firm founded by a U.S. citizen, a recently-renamed and -restructured Canadian company with

a scandalous history in the region, and a joint venture wholly-owned by two Chinese state-run firms. What they do have in common is their relatively small size, at least in terms of the oil industry, and lack of widespread brand recognition, allowing them to fly below the radar and avoid much scrutiny of their activities, at least until now.

Two Key Actors: JPMorgan Chase and BlackRock

Consumers and businesses seeking to bank with companies that respect our environment could be forgiven for choosing either JPMorgan Chase or BlackRock based upon their corporate responsibility statements. Such customers should be troubled, however, that these institutions are actually putting their funds to work by financing fossil fuel companies whose projects are harming a critical region for our planet's environmental sustainability, as well as communities that have been stewards of our planet for generations.

Though many private U.S. financial institutions have invested in the companies drilling for oil in the Amazon, we have selected two on which to focus, given their size and global reach, and the insincerity of their stated commitments to "corporate social responsibility." And while the investments of these two financial institutions do not comprise a majority stake in either of the three oil companies, the relatively small size of the companies means that the investment capital provided by JPMorgan and BlackRock is not insignificant, even when the amount of cash is modest, and decisions by either of these institutions to divest would have a substantial impact on the oil industry's ability to continue drilling in the Amazon. Furthermore, the financing JPMorgan and BlackRock provide communicates support for a dangerous business model, and divestment by these two influential institutions would send a strong signal to all companies involved with oil drilling in the Amazon.

Finally, as a U.S.-based institution, we believe that engaging the financial institutions that also call this country home is a crucial part of enacting change to prevent climate disaster, even in far-away lands like the Amazon rainforest. That is especially true given research conducted in 2016 and early 2017²³ that the majority of Amazon crude oil exports come to the U.S. — mostly to California — and is refined and sold here.

An oil spill in the Peruvian Amazon





Crude contaminates the Ecuadorian Amazon in an open pool abandoned by Texaco and never remediated.

JPMorgan Chase

JPMorgan Chase is the largest bank in the U.S. and the sixth largest in the world.²⁴ It has extensive global operations, including consumer banking, investment banking, asset management, private banking, private wealth management, and treasury and securities services divisions.

CEO Jamie Dimon has made clear his belief that he and JPMorgan should “do the right thing.”²⁵ He has, essentially, called banks the moral compass of the global financial system, saying in a 2016 interview that banking is a “relationship,” and has indicated his belief that banks’ activities should be guided by a higher purpose, asserting that banks “have to say no to customers” because “it may not be in the client’s best interest.”²⁶ In a recent statement to shareholders, Dimon wrote, “as long as we continue to do our jobs well and continue to drive our company forward, we think we can be a leader for our industry and the communities we serve for decades to come.”²⁷

JPMorgan Chase has also made specific commitments and statements of support in the environmental realm. As the bank states in its current environmental and social policy, “[p]rotecting the natural systems which all life depends on while lifting people out of poverty and advancing economic development are among the greatest challenges confronting humanity. We recognize that the policies and practices we adopt today will shape not only our lives but also those of future generations.”²⁸

It has committed to use 100 percent renewables in its direct operations by 2020, and to provide \$200 billion in “clean financing” through 2025.²⁹ It has signed letters in support of the Paris Agreement,³⁰ and it is a member of

the Equator Principles Association, a group of 91 financial institutions that have committed to voluntary standards governing their investments in large infrastructure projects (more details in the Addendum, below). And, encouragingly, JPMorgan has recognized, in part, its role in funding climate change by committing to phasing out financing of coal mining.³¹

Yet despite these lofty goals and pronouncements, Amazon Watch research found that JPMorgan Chase has almost \$133 million in combined debt and equity investments in GeoPark, Frontera, and the two parent companies of Andes Petroleum, thus supporting these companies’ destructive oil activities in the Amazon rainforest.³²

BlackRock

The asset manager BlackRock is the world’s biggest investor, with 135 teams in 30 countries.³³ During the 2008 financial collapse, the U.S. government handed it multiple contracts, making it “the leading manager of Washington’s bailout of Wall Street.”³⁴ Its asset management business handles around \$1 trillion of pension and retirement funds for millions of people in the U.S., as well as the investments of dozens of state and local governments, college endowments, and sovereign-wealth funds.³⁵ This kind of reach means that the company holds immense influence over world financial markets.

The company appears to pride itself on its environmental and social responsibility commitments, writing on its website, “BlackRock is deliberate in our commitment to using our resources responsibly to support the long-term sustainability of our firm and of the global environment in which we and our clients live and operate.”³⁶ BlackRock CEO Larry Fink has stated, “sustainability means long-term thinking in every respect, whether it be reducing our energy consumption, contributing to communities or building better financial futures for our clients. It is about responsible decision-making — an attribute that’s at the very core of BlackRock.”³⁷

And in the introduction to a 2016 report on how to adapt portfolios to climate change, the company writes, “[e]nvironmental, social, and governance (ESG) factors relevant to a company’s business can provide essential insights into management effectiveness and thus a company’s long-term prospects.”³⁸

CEO Larry Fink also touts long term thinking in the investment world. In a 2016 letter to 500 fellow CEOs he chided them for focusing on short-term profits, writing, “many companies continue to engage in practices that may undermine their ability to invest for the future,” like neglecting environmental and social factors. “Over the



Crude oil barrels abandoned in the Peruvian Amazon.

long term,” he wrote, “environmental, social and governance issues — ranging from climate change to diversity to board effectiveness — have real and quantifiable financial impacts,” and he specifically mentions the Paris Agreement.³⁹ In September 2017, BlackRock launched its first-ever “socially responsible” equity fund that is also fossil fuel-free.⁴⁰ The company also recently hired a former Obama Administration climate change advisor to serve as its head of ESG investing.⁴¹

In a 2010 profile of Fink in *Vanity Fair*, the BlackRock CEO recalled losses earlier in his career and said he “vowed never again to be in a position where he did not fully understand the risks he was taking in the market.”⁴² Yet BlackRock’s investments in frontier fossil fuels in the Amazon involve a lot of risk for the climate, biodiversity, and indigenous peoples, not to mention BlackRock’s customers. Amazon Watch research shows that BlackRock holds almost \$568 million in stocks and bonds in GeoPark, Frontera, and the two parent companies of Andes Petroleum.⁴³ The majority of that — over \$553 million — is invested in one of Andes Petroleum’s parent companies, Sinopec, which is under investigation by U.S. authorities over bribery allegations.⁴⁴

Oil Company Overviews and Emblematic Projects in the Amazon

GeoPark

GeoPark Limited is an independent oil and gas explorer, operator, and consolidator with projects in Argentina, Brazil, Chile, Colombia, and Peru that is headquartered in Santiago, Chile. The company is the “third-largest private oil and gas operator in Colombia and the first

private oil and gas producer in Chile. It also has a non-operating working interest in one of the largest non-associated gas fields in Brazil.”⁴⁵

Total Investments in GeoPark⁴⁶

JPMORGAN CHASE & CO. **\$31,151,656**

BLACKROCK **\$6,263,139**

Operations in the Amazon: Block 64 (Peru) - Achuar Territory

GeoPark first entered Peru in 2014, when PetroPeru, the Peruvian state-run oil company, announced that it would partner with GeoPark on the development of an oil block, known as Block 64 or Morona, containing 55 million barrels of proven and probable light crude reserves.⁴⁷ The oil block is located in the Amazonian province of Loreto, where the Kichwa and the Achuar indigenous peoples have seized oil wells, demanding compensation for decades of contamination.⁴⁸ Since Block 64 was created in 1995, international oil companies ARCO, Occidental, and Talisman have all acquired the concession for and then subsequently withdrawn from the block due to fierce opposition from local community members.

In December 2016, GeoPark assumed a 75% working interest in Block 64.⁴⁹ In response to the change in ownership, the Federation of the Achuar Nationality of Peru (Federación de la Nacionalidad Achuar del Peru, FENAP), which represents 45 indigenous communities, reiterated its determination to prevent any extractive activity on Achuar territory, calling on the Peruvian government to “declare null and void oil Block 64 and the oil concessions issued to GeoPark and PetroPeru within the Achuar territory, for not benefiting either from a consultation or the consent of the Achuar people and for violating their way of life and integrity.”⁵⁰

In an October 2017 interview during FENAP’s semi-annual assembly, President Jeramías Petsein stated emphatically, “We have a strong position in rejection of oil companies. Why? Because today we know very well that oil companies entered within other indigenous peoples’ territories or even within the lands of the Achuar people in the Corrientes River and left a series of spills. Seeing these negative consequences, we are united in saying that we totally reject oil exploitation within the territory of the Achuar People under FENAP.”

Frontera

Frontera Energy Corp (formerly “Pacific Exploration & Production Corporation”) is a Canada-based crude oil and natural gas company with operations focused in Latin America. According to its website, Frontera “has a diversified portfolio of assets with interests in more than 25 exploration and production blocks in Colombia and Peru.”⁵¹ The company changed its name in 2017 after restructuring in the face of bankruptcy caused in large part by the “decline and volatility in oil prices” in recent years.⁵²

The company’s operations have been controversial in several parts of the Peruvian Amazon. For years it was subject to pressure campaigns by Peruvian indigenous organizations and international campaigners to leave Block 135, which overlaps the territories of Matsés un-contacted tribes. In mid-March 2017, the company announced its departure from the block. Later that same month, the Fourth Constitutional Court declared the contract for Block 116, in which Pacific was a partner, to be null due to lack of consultation and consent of indigenous peoples therein.⁵³ The case is being appealed.

Total Investments in Frontera⁵⁴

JPMORGAN CHASE & CO. **\$43,170,593***

BLACKROCK **\$1,605,535***

* Figures corrected May 2018

Operations in the Amazon: Block 192 (Peru) - Achuar, Kichwa, Kukama, Quechua and Urarina Territory

One of the areas where Frontera has assets is Block 192 in the Peruvian Amazon. This oil concession, formerly known as Lot 1-AB, is the largest oil field in Peru and at one point produced 10,000 barrels of crude per day.⁵⁵ The block is infamous for its antiquated, leaky pipeline infrastructure and due to more than a decade of regular protests by indigenous Achuar, Kichwa, Kukama, Quechua, and Urarina communities over the health and environmental impacts of oil drilling operations. These impacts, caused largely by the legacy of dumping billions of gallons of toxic production waters and hundreds of oil spills, have left “lagoons with oil, contaminated animals, dead fish, cultural knowledge loss, social disorder and the mistreatment of men, women and children, among other things,” according to the ACODECOSPAT, FECO-NACO, FEDIQUEP and OPIKAFPE indigenous federations. A non-governmental analysis estimates that it will



Sápara leader Gloria Ushigua protests Andes Petroleum at the 2014 People’s Climate March in New York,

cost \$1 billion to clean up already existing pollution left by Occidental in Block 192 and PlusPetrol in neighboring Lot 8.⁵⁶

In the latest grassroots mobilization, beginning September 18, 2017, community members mobilized to seize oil wells around Block 192, effectively halting production of over 5,000 barrels per day.⁵⁷ Representative federations lodged official complaints calling for an appropriate consultation process for any upcoming negotiations about the next multi-decade contract for the concession, long-overdue environmental remediation, and urgent implementation of social development plans including health and water sanitation. After 43 days, the government agreed to the federation’s demands of consultation before new oil contracts, cleanup of oil spills, and emergency health care measures. Frontera will also be required to participate in dialogue with the federations.⁵⁸

In February 2016, Frontera declared its Block 192 contract in *force majeure*, which it intends to maintain “until the pipeline is considered fully operational.”⁵⁹ Yet given the Peruvian government’s lack of implementation of previous agreements with indigenous federations and unwillingness to engage in adequate consultation processes, the pipeline may well not be “fully operational” by the end of Frontera’s current contract extension end date in 2019, putting the company at risk of holding on to a stranded asset.⁶⁰

Andes Petroleum

Andes Petroleum Ecuador Ltd. is an oil exploration and production consortium formed by Chinese state-owned companies China National Petroleum Corporation (CNPC, 55%) and China Petrochemical Corporation (Sinopec, 45%). All of the consortium’s operations are based in the Ecuadorian Amazon: it operates in

the Tarapoa block and a transfer and storage station in Lago Agrio in Succumbios provinces, and its subsidiary PetroOriental operates in blocks 14 and 17, in Orellana and Pastaza provinces, respectively.⁶¹ In 2016, Andes Petroleum signed an \$80 million oil exploration and production contract with the Ecuadorian government for Blocks 79 and 83 in Pastaza Province.⁶²

Along with PetroChina, Andes Petroleum is a principle actor in the Chinese drive to expand the oil frontier in the Amazon. Since 2009, Ecuador and China have signed a number of oil-for-loans deals, meaning repayments must be made through the sale of oil or fuel.⁶³ As reported by *Reuters*, China now has “near monopoly control of crude exports” from Ecuador.⁶⁴ Nearly all of Ecuador’s reserves are in the Amazon rainforest.⁶⁵

Total Investments in Andes Petroleum (CNPC)⁶⁶

JPMORGAN CHASE & CO. **\$24,655,800**

BLACKROCK **\$6,637,000**

Total Investments in Andes Petroleum (SINOPEC)⁶⁷

JPMORGAN CHASE & CO. **\$33,462,670**

BLACKROCK **\$553,991,110**

Operations in the Amazon: Blocks 79 and 83 (Ecuador) - Sápara and Kichwa of Sarayaku Territory

Blocks 79 and 83 overlap with about half of Sápara titled territory and a smaller portion of the territory of the Kich-

Sarayaku leaders take their advocacy for indigenous territories free of oil drilling to the U.N. climate talks in Paris.



wa people of Sarayaku. This region, deep in the Amazon rainforest and located near the Peruvian border, is home to the headwaters of several Amazon River tributaries. Blocks 79 and 83 abut the southern border of Yasuni National Park, widely considered to be the most biodiverse place on the planet, and they also overlap the nomadic territory of two indigenous groups living in voluntary isolation. The Sápara nation was included in the Representative List of the Intangible Cultural Heritage of Humanity by UNESCO in 2001.⁶⁸

The Sápara and the Kichwa of Sarayaku have emphatically opposed the selling of concessions to drill or explore for oil on their land. Together with the leaders of the neighboring Shiwiari nation and the presidents of the Amazonian and national indigenous federations of Ecuador, the Sápara president, Manari Ushigua, and then-president of Sarayaku, Félix Santi, sent a letter in January 2015 to the Ecuadorian Hydrocarbons Minister and the Executive Director of Andes Petroleum clearly expressing their rejection of oil drilling on their territory and the lack of prior consultation about the sale of drilling concessions.⁶⁹

“By continuing with its practice of signing contracts with oil companies overlapping indigenous territories in which it has not carried out the proper prior consultation processes stipulated in international law,” they wrote, “the Ecuadorian government not only demonstrates that it is remiss in its international human rights obligations toward its own people, but puts at risk the investments of the companies with which it signs said contracts.” The leaders closed the letter making known their decision not to allow entry to companies of any kind on their territory and promising to carry out actions on the national and international levels to defend their territorial rights.

The Sápara take this promise very seriously. In the words of the Association of Women of the Sápara Indigenous Nation of the Ecuadorian Amazon, its members “are ready to protect, defend, and die for our forest, families, territory, and nation.”⁷⁰ The Sápara have taken their opposition to the United Nations.⁷¹ “We want to make it crystal clear to the government and the oil companies that this is our land, and they cannot enter unless we give them permission,” said Juan Carlos Ruiz, an elected leader of the Sápara village of Torimbo.⁷²

The Sarayaku, for their part, have successfully fought back against oil drilling in their territory for over twenty years, taking their opposition to drilling and their “Living Forest” proposal for the preservation of sacred indigenous territories to the Inter-American Court of Human Rights, U.N. Climate Change negotiations, the Interna-

tional Union for the Conservation of Nature, and more. “We know that the government has signed new deals with Chinese companies, and then it tries to claim we’re not affected, but it’s our territory!” said Sarayaku community member Narcisa Viteri on the occasion of the Inter-American Court of Human Rights’ ratification of its ruling against the Ecuadorian government in the Sarayaku case.⁷³

The Legal, Political, Reputational, and Financial Risks of Amazon Crude

Financing and producing fossil fuels has significant implications for our environment, which also results in a host of threats to the wellbeing of communities, businesses, and our planet, ultimately posing “significant risks to the prosperity and growth of the global economy,” as affirmed by a number of US banks, including JPMorgan Chase, in a September 2015 statement on climate change.⁷⁴

As clearly laid out by the Task Force on Climate-Related Financial Disclosures, “[t]he reduction in greenhouse gas emissions implies movement away from fossil fuel energy and related physical assets. This coupled with rapidly declining costs and increased deployment of clean and energy-efficient technologies could have significant, near-term financial implications for organizations dependent on extracting, producing, and using coal, oil, and natural gas.”⁷⁵ (See more on the Task Force in the Addendum.)

The risks for the companies engaged in fossil fuel extraction and the institutions providing them with capital are both direct and indirect. They include legal, political, and reputational risks and are particularly severe when it comes to frontier fossil fuel extraction in indigenous territories, given the additional legal protections enjoyed by indigenous peoples, and even more so when those peoples have directly expressed their opposition to extraction.

Legal Risks

Legal risks include the possibility of local courts overturning concessions, lawsuits resulting from human rights abuses committed in connection with projects, and international cases before institutions like Sarayaku’s victory before the Inter-American Court of Human Rights.

Political Risks

Political risks can include referendums that outlaw extraction, such as recent referendums in Colombia; a local government canceling the contract for an oil block concession after massive local protests; or radical changes in governments due to political uprisings, as has occurred in several Latin American countries in recent years.

Reputational Risks

Reputational risks may arise from the local, national and/or international negative publicity caused by the exposure of human rights abuse, deforestation, and pollution.

Financial Risks

All of these environmental, political, reputational, and legal risks translate into concrete financial risk for the institutions investing in frontier oil and gas.⁷⁶ The potential financial losses stem from the minor to major delays caused by community protests and blockades, the potential for assets to become stranded when the political or environmental pressures make the oil too costly to extract, mitigation costs for spills and other disasters, legal fees, and monetary damages resulting from judicial battles, and more. A Business for Social Responsibility study found that almost 75 percent of delays related to 190 of the world’s largest oil and gas projects could be attributable to “above-ground” non-technical risk, including stakeholder resistance.⁷⁷ In the most extreme cases, investors can lose their entire stake when the project is forced to cancel, as in the case of the three oil companies kicked out of Achuar territory.⁷⁸

Furthermore, such projects carry environmental risk that affects the financiers of these projects. As BlackRock CEO wrote in his 2016 letter to CEOs, short-term profit-

Oil waste pit in Ecuador’s northern Amazon.



seeking is not to the benefit of companies and investors. Financial institutions are already beginning to feel the impacts of the increasingly-severe financial risks caused by climate change itself--for example, the \$3 billion losses suffered by Berkshire Hathaway's insurance subsidiaries as a result of 2017's natural disasters in North America.⁷⁹ And as more and more coastal cities and towns are ravaged by increasingly severe events like the hurricanes of Summer 2017, not even the world's finance capital, New York City, will be safe.

The Effectiveness of the Movement to Divest from Fossil Fuels

Divestment has a long history as a tool for advancing social justice. The first major divestment campaign took place in the 1980s, when activists and students pressured universities and other financial institutions to divest from companies that traded or operated in Apartheid South Africa.⁸⁰ As a result of this pressure, hundreds of universities and banks withdrew their investments, serving as a catalyst for the end to white minority rule in South Africa. Activists have since called on institutions to take their money out of the tobacco industry, companies doing business with the military government in Burma, and, more recently, the fossil fuel industry.

Students started the divestment movement after visiting communities in West Virginia and seeing the impacts of mountaintop removal (MTR) firsthand, and learning that their colleges invested in MTR companies.⁸¹ With the support of various organizations, including 350.org, these students expanded the call for fossil fuel divestment across the country. Since then, this movement has grown exponentially and succeeded in moving approximately \$5.56 trillion of institutional investments and \$5.2 billion of individual investments out of fossil fuels.⁸²

The movement opposing the Dakota Access Pipeline (DAPL) shed further light on the way in which fossil fuel projects -- and financial investments in these projects -- violate indigenous peoples' right to FPIC regarding activities on their territories.⁸³ Despite various international frameworks guaranteeing FPIC, clear opposition by local indigenous communities, and explicit commitments by financial institutions to respect indigenous rights, financiers of DAPL poured money into the pipeline. The lack of a proactive response from operating companies, governments, and financial institutions spurred a global wave of indigenous-led organizing calling on financial institutions to divest from extractive projects on indigenous lands and urging municipalities to stop banking with financial institutions that bankrolled tar sands pipelines.



Oil spill clean-up in the Peruvian Amazon.

The Elevated Risk of Drilling for Oil in the Amazon

In addition to the extreme environmental danger posed by drilling in the Amazon, the effects of drilling have serious consequences for indigenous peoples who call the rainforest home, as they have for millennia. As explained by the U.N. Permanent Forum on Indigenous Issues, “[w]hile indigenous peoples in all regions of the world live on lands and territories that contain a great wealth of natural resources, they remain some of the most vulnerable people on earth due to centuries of marginalization and discrimination... indigenous peoples’ special relationship with their lands – a fundamental element of their spiritual, religious, cultural and physical survival – is often at odds with these interests.”

In addition, “[t]he impact of such projects includes environmental damage to traditional lands in addition to loss of culture, traditional knowledge and livelihoods, often resulting in conflict and forced displacement, further marginalization, increased poverty and a decline in the health of indigenous peoples.”⁸⁴

Such impacts have inspired indigenous peoples to assert their right to self-determination, including protest and legal action. The well-known mobilization in Standing Rock against the Dakota Access Pipeline is a U.S. example of how investment in fossil fuels on indigenous territories generates multiple layers of reputational, legal, political, and financial risks.

The risk of stranded assets is particularly salient in the Amazon, as the case of indigenous resistance in Block 192 demonstrates. As early as 2013, Generation Foundation's research demonstrated that “public opposition to the harmful and costly environmental and social implications of using fossil fuels, in addition to related national security concerns, are becoming more salient

and potent obstacles to the ability of carbon-intensive industries to continue with business as usual.”⁸⁵

Furthermore, this high-stakes and high-risk business environment has allowed corruption to thrive. In the case of Ecuador, China buys nearly all of Ecuador’s oil and then resells it to corrupt Ecuadorian insiders, who then sell it on the open market at a markup. Private traders then sell the oil to refineries, with most of it going to California.⁸⁶ An investigative report based on the Panama Papers showed that two of those middlemen managed to skim \$1 off the top of every barrel of oil sold, earning a handsome \$70 million in “commission.” Shell companies and offshore accounts were used to hide the paper trail and the money. These are the same middlemen who received tens of millions in inflated contracts and kickbacks from PetroEcuador, a revelation that led to a prison sentence for the company’s head and the forced resignation of the country’s Hydrocarbons Minister.⁸⁷ Large U.S. banks, including JPMorgan Chase, have recently settled charges involving foreign corruption, and their financing of fossil fuel extraction leaves them vulnerable to further association with these unseemly practices.⁸⁸

Conclusion

Failing to recognize and act on these risks means that these financial institutions — and ultimately their investors, customers, and owners — stand to lose real cash from climate change and their consciences from knowledge of rights violations being committed. Ultimately, this could also lead to the loss of banks’ most precious commodity — their customers — should they decide to abandon institutions that insist on financing projects that are so harmful to their fellow humans and their environment.

**The time for *all* actors
– including financial institutions –
to divest from Amazon crude is NOW.**

Recommendations

To the management of JPMorgan Chase, BlackRock, and other financial institutions investing in Amazon crude:

1. Fully disclose, in mainstream financial filings, material climate-related holdings, loans, and investments, especially those related to fossil fuel infrastructure and exploration or extraction in the Amazon.⁸⁹
2. Remove from all portfolios any financing of exploration or drilling of Amazon crude and do so on a public timeline.
3. Urge the Equator Principles Association to adopt new, stronger principles.⁹⁰

To the customers, investors, and owners of private financial institutions investing in companies that explore or drill for Amazon crude:

1. Pressure the financial institutions with which you have relationships to effectively incorporate the full range of legal, environmental, political, and financial risks of investing in fossil fuel companies into risk analyses.
2. Urge the financial institutions with which you have relationships to align their practices with their stated values.
3. Demand that the financial institutions with which you have relationships fully divest from Amazon crude.
4. If the the financial institutions with which you have relationships do not make these changes, divest from them, let them know why, and invest in just renewable energy solutions.



Addendum: Prevailing Norms Guiding Business Practices on Environmental and Social Criteria

Free, Prior, and Informed Consent

The indigenous right to Free, Prior, and Informed Consent (FPIC), as outlined in [International Labor Organization Convention 169](#) and the [UN Declaration on the Rights of Indigenous Peoples](#), is at the heart of resource conflicts across the Amazon – as well as throughout the world. Such conflicts are often particularly intense surrounding fossil fuel operations. A rigorous implementation of FPIC implies that consent should be granted freely, prior to project approval, in an informed manner, with the state guaranteeing to conduct this process transparently.

However, such a right is rarely implemented properly, and Ecuador is a prime example. The consultation process often does not begin until contracts have been signed, investments made, and money has exchanged hands, as occurred in Sarayaku territory.⁹¹ Current and future oil-driven conflicts stem from this fundamental violation of the indigenous rights to determine the future well-being of their territories and communities.

Paris Climate Agreement

In December 2015, all the world’s countries signed on to the Paris Climate Agreement. In doing so, they agreed to plan for and regularly report on their country’s efforts to mitigate global warming. While organizations like Amazon Watch had critiques of the Agreement, including the omission of indigenous rights and the scientific imperative to keep fossil fuels in the ground in the final and legally-binding text, we welcomed the recognition by governments around the world that climate change is an urgent and pressing issue that requires real action, including limiting fossil fuel extraction.

The business community also recognized the importance of the Paris Agreement and the need to act on climate change. On November 19th, 2016, just after Donald Trump was elected as president of the United States, 72 major U.S. companies, including several banks, sent an open letter urging the president-elect not to follow through on his threats to withdraw the U.S. from the Paris Climate Agreement.⁹² And on May 10, 2017, thirty CEOs published a full-page ad in the Wall Street Journal expressing strong support for the Paris Agreement and urging President Trump not to withdraw the U.S. from it.⁹³ Signers included the CEOs of major U.S. private financial institutions like Bank of America, Citi-

group, JPMorgan Chase, and Morgan Stanley. Though President Trump announced his intention to withdraw the U.S. from the Agreement, every other country in the world has signed it, meaning Trump’s hostility toward climate action does not prevent the Agreement from being a fundamental economic factor going forward.

Financial Stability Board’s Task Force on Climate-Related Financial Disclosures Recommendations

In 2016, at the request of the G20 Finance Ministers and Central Bank Governors, the Financial Stability Board created a Task Force on Climate-Related Financial Disclosures and tasked it with “develop[ing] voluntary, consistent climate-related financial disclosures that would be useful to investors, lenders, and insurance underwriters in understanding material risks.”⁹⁴ Members of the Task Force include JPMorgan Chase’s Managing Director and Global Head of Sustainable Finance, Matt Arnold, and BlackRock’s Global Head of Impact Investing, Deborah Winshel.

The Task Force’s recommendations, published in June 2017, make clear that financial institutions, including banks and asset managers, should take into account the immediate risks represented by climate change, particularly as it relates to the fossil fuel industry. “One of the most significant, and perhaps most misunderstood, risks that organizations face today relates to climate

Sápara leader Gloria Ushigua opposing oil drilling on Sápara territory in the Ecuadorian Amazon.



change,” affirms the report. “Many organizations incorrectly perceive the implications of climate change to be long-term and, therefore, not necessarily relevant to decisions made today. The potential impacts of climate change on organizations, however, are not only physical and do not manifest only in the long term.”⁹⁵

Equator Principles: Bank Commitments to Environmental and Indigenous Rights

Major banks around the world have themselves acknowledged the environmental and social risks involved in many of their activities through their involvement with the Equator Principles.

The Equator Principles are a set of voluntary standards signed by 91 financial institutions (mostly private-sector banks) to govern their investments in large infrastructure projects.⁹⁶ They are meant to strengthen risk management by ensuring that projects being financed are “developed in a manner that is socially responsible and reflects sound environmental management practices.” Adopting banks also, “recognize the importance of climate change, biodiversity, and human rights, and believe negative impacts on project-affected ecosystems, communities, and the climate should be avoided where possible.”

After a pressure campaign from NGOs around the world, the Association announced at its annual meeting in October 2017 that it would start a process to revise the Principles. In making this announcement, the Association noted, “[t]he approach of FIs, regulators, clients and civil society to E&S risks in finance is rapidly changing. In particular, participants reflected on the important implications of the Paris Agreement, challenges in implementation of FPIC, and the recently-released Financial Stability Board’s Task Force on Climate-Related Financial Disclosures recommendations.”⁹⁷

Oil contamination in the Peruvian Amazon.



UN Guiding Principles on Business and Human Rights

The United Nations Guiding Principles on Business and Human Rights lay out states’ duty to protect and businesses’ responsibility to respect human rights, respectively. The UN Human Rights Council said at the time of adoption that corporate responsibility means that “business enterprises should act with due diligence to avoid infringing on the rights of others and to address adverse impacts with which they are involved.”⁹⁸ Business response to the process that led to the Guiding Principles was largely positive, including from the international associations like the International Chamber of Commerce and the International Organization of Employers.⁹⁹

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