Carbon Web

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Burning Capital Exit Strategy II

Back to Black

John Browne is not the first head of BP to leave under a cloud. After Robert Horton, chairman & CEO from 1990-92, was 'encouraged' to leave his post, the corporate initiative with which he was identified - 'Project 1990' - was swiftly brought to a halt. David Simon, his successor, set about re-focusing BP on the core activity of extracting oil & gas. It is clear that a similar kind of shift has been taking place since the fall of Browne in May 2007.

In July 2005, timed to coincide with the G8 Summit in Gleneagles, BP relaunched its 'Beyond Petroleum' strapline and unveiled plans for the world's first carbon capture and hydrogen power station at nearby Peterhead. It was a brilliantly executed PR campaign and arguably the high-water mark of Browne's 'green strategy'. But last May, 22 days after Browne's resignation, BP announced that due to government subsidy not being forthcoming, the project was shelved. Whilst the effectiveness and safety of CCS are far from certain (see article on page 3), Hayward's dropping of the project sent a clear message of where he wanted to position the company.

The same month, Hayward employed the consulting firms Baines and McKinsey to review the company's structure. On 10th October he announced an outline of the resulting shake-up, including the break up of one of its three divisions: Gas, Power & Renewables. Most of its assets will be merged into the remaining divisions of Exploration & Production and Refining & Marketing. What is left will be downgraded from a division to a small business unit - BP Alternative Energy. This constitutes a significant shift of emphasis away from renewables.

Then in December BP announced that it was purchasing 50% of Canada's Sunrise tar sands field from Husky Energy. In contrast, Browne had been sceptical about tar sands. In 1999 he oversaw the sale of BP interests in Alberta and in 2004 he publicly declared that there were 'tons of opportunities' beyond the sector. Now, simultaneous with the Climate Conference in Bali, BP press released its acquisition.

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Such a contrast to the announcement of the Peterhead Carbon Capture project during the G8 two years previously. No clearer indication could be given of the change of direction under Tony Hayward.

Accounting for Emissions

The company assessed its "operational emissions" for 2006 to be 64.4 million tonnes of CO_2 equivalent, excluding TNK-BP (effectively BP's Russian arm, responsible for 1/3 of BP's production).

BP is responsible for over twice the emissions of the UK - around 5% of global greenhouse gas emissions

Leaving aside this qualification, the company's operational emissions have been falling over recent years. However these constitute only a fraction of the company's total emissions - a mere six percent.

In Spring 2005, Nick Robins, working at Henderson Global Investors in Broadgate, noticed that the total emissions reported in BP's 2004 Sustainability Report made the company to be responsible for 5.6% of global greenhouse gas emissions: more than twice the 2.5% share of the UK, with 62 million citizens.

A year later, Nick noticed that BP had shifted the goalposts. By changing its methodology to count oil within one sector of the company (mostly refining), rather than counting the emissions from all products it sold (whether crude oil, aviation fuel, diesel etc), BP had cut its emissions to less than half.

BP no longer publishes its full emissions under the original methodology. Yet PLATFORM has calculated the company's full annual emissions since 1997 by analyzing its production and refining & marketing data. These show that production has risen steadily over the past decade, with a slight decline since 2005 (mainly due to the high oil price) - and the company's CO_2 emissions have risen in parallel with this.

On the morning of May 19th 1997, in a lecture theatre at Stanford University, California, John Browne addressed an audience with his 'Climate Change Speech'. In the hour that followed Browne broke ranks with his peers in the global oil industry, recognising that human activity was altering the global climate and accepting the need to take precautionary action.

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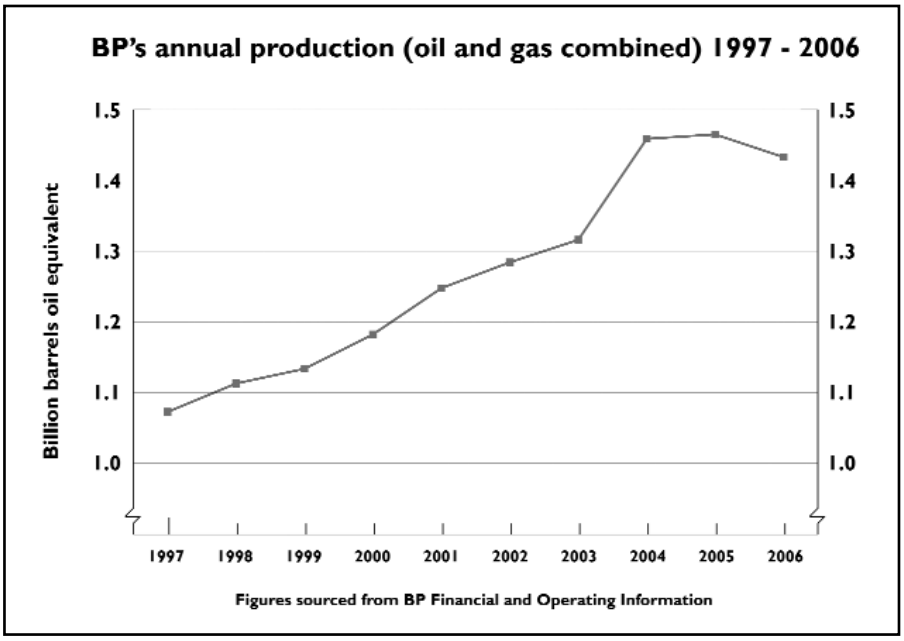
Browne said *"Nobody can do everything at once. Companies work by prioritising what they do. They take the easiest steps first, and then they move onto tackle the more difficult and complex problems[…]. Over time we can move towards the elimination of emissions from our own operations and a substantial reduction in the emissions which come from the use of our products".* With these words, a frisson ran through the oil industry. Browne, as BP's bold new leader, was charting a distinctive course.

But, in Browne's ten years at the helm after Stanford, he never moved beyond the 'easiest step'. Instead, BP's product emissions continued to rise. Meanwhile, renewable energy peaked at 3% of the company's capital investment. Now, Hayward is seeking to reverse even the tiny steps Browne took.



A Change in the Political Climate

Over ten years, BP has produced 12.7 billion tonnes of CO_2 equivalent

The political landscape of climate change shifted in 2007.

Between February and November, the Intergovernmental Panel on Climate Change published four reports, declaring that if temperatures went two degrees above pre-industrial levels the effects would be "irreversible and catastrophic". In March the EU agreed to a 20% cut in CO_2 emissions by 2020. In June the G8 summit draft communiqué stated that 'beyond a temperature increase of two degrees, risks from climate change will be largely unmanageable'. In June and September the White House indicated that it was engaging in the issue. In December at Bali it was agreed to achieve a new Kyoto by 2009.

There is a growing consensus that we have to avoid exceeding 2 degrees of warming. In order to do so we need to stabilise CO_2 emissions by 2015 - in less than 100 months - and thereafter reduce them radically.

Gordon Brown has talked of setting a target of 80% CO_2 cuts by 2050, the Tories and Liberal Democrats likewise. US Presidential favourites, Hilary Clinton and Barack Obama, have also called for an 80% target. These all require effectively the same thing - a fossil fuel phase out over the next generation.

In these demands for striking global CO_2 cuts, the direction of travel is clear - the cuts should fall heaviest on the countries of the global Global North. At Bali, the EU, Japan, Canada and Russia talked of cuts of between 20 and 45% by 2020.

For BP this poses a particular challenge. For example, if there are moves to dramatically reduce fuel consumption in Europe and the USA it will hit the company hard. 84% of the refined products it sold in 2006 were in Europe and the USA. However, The the company can adapt to such challenges. It is already directing capital to enable an expansion in the Indian and Chinese retail markets.

Similarly BP has been striving to apply technology to the challenges - by developing internal and external emissions trading systems, or carbon capture and storage projects. But the fate of Peterhead power station, illustrates that these are peripheral ventures at the mercy of financial and political pressures.

This challenge goes to the heart of BP's core activity - the extraction of oil & gas. These are challenges to which it is far harder for the company to adapt.

2007 might be remembered as the year in which the company had to consider the threat of carbon pricing. The Stern Report concluded that the social cost of a tonne of carbon dioxide was $85.

In December 07 the UK Climate Change Minister, Phil Woolas, made it clear that the government is to factor in the 'shadow price of carbon' for all infrastructure decisions.

If the logic of this is carried through, BP's combined operational and product emissions in 2007 constitute a massive liability to the company. If this were set against the profit for 2007 then the company's profitability would be severely hit, and with it the share price.

The question stands, how long is it before public pressure, driven by the rising impacts of climate change, shifts this theoretical carbon cost into an actual carbon cost? How long until the company is hit by the economic impact of climate change?

A change in the weather and a change of direction

Back in May 1997, John Browne recognised the relationship between BP's oil & gas production and global CO_2 emissions. In the intervening 10 years the company has produced 12.7 billion tonnes of carbon dioxide equivalent.

Over the past decade BP's oil & gas output has been rising most years and in the coming decade it is the company's intention that it should grow further over the coming decade… - causing its produce emissions to rise in parallel. CO_2 emissions will also grow. Especially with the development of projects such as Sunrise.

But Yet this growth runs in direct contradiction to the demands of the Intergovernmental Panel on Climate Change and rising public opinion.

At the very least the contradiction between the company and public opinion threatens to erode BP's 'social license to operate' in key countries such as the UK, Germany and the US. An erosion of acquiescence that may lead to the demand that BP carries the cost of the carbon it sells.

What is to be done? How can BP adapt to this coming climate impact?

In the past 12 months decisions were made in BP to finance new developments in Russia, Indonesia and Norway, and to purchase exploration licenses in Colombia and the USA. And with the opportunity afforded by the $100 barrel oil price, the decision was made to purchase tar sands in Canada. We do not know exactly how much carbon these actions will bring to the world's atmosphere, but we do know that the decisions were made by approximately 20 people.

But this growth runs in direct contradiction to the demands of the IPCC and rising public opinion.

How would it have been if those who made the decisions in the past 12 months had had at the forefront of their minds the carbon limits recommended by the Intergovernmental Panel on Climate Change? What if they had committed themselves to stabilising global CO_2 emissions in less than 100 months and then to reducing emissions radically?

How might the company's year 2007 have been different? What meetings might have taken place to plan the decarbonising of the company? What new investments in non-fossil fuel energy? Would Tony Hayward's announcement of bringing onstream the Shah Deniz, Rosa, Dalia, Greater Plutonio, Mango and Atlantis fields in 2007 have come to be seen as marking a high-water point in BP's oil and gas production history?

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Out of sight, out of mind

Is carbon capture and storage a safe climate mitigation option?

As climate change increasingly becomes a defining political theme for the 21st Century, coal, oil and gas companies have not suffered the existential crisis that might have been expected. Instead, they are betting on a technological solution to the problem, in the form of carbon capture and storage. But, ask Gabriele von Goerne and David Santillo, how safe is the technology?

To avoid dangerous anthropogenic climate change, which would place millions of people and the natural systems on which they depend at risk, global greenhouse gas emissions need to be reduced by at least 80% by the middle of this century. This, and more, can be achieved by a combination of greater energy efficiencies, phasing out the use of coal and switching from fossil fuels to renewable energies. But this vision of the future is not one that fossil fuel companies can accept. Led by the coal industry, those companies are insisting that carbon capture and storage (CCS) can square the circle between ever-increasing sales of their products and a major decrease in greenhouse gas emissions.

The stakes could not be higher. If at any point in the future the technology failed, resulting in either gradual or sudden leakage of stored carbon dioxide (CO_2), the world could be faced with substantial, unexpected greenhouse gas emissions about which little or nothing could be done, as well as the potential for severe direct impacts on ecosystems in the vicinity of such leaks. Given that the storage would have to remain intact for many centuries, an extremely high level of confidence in the system's integrity would be necessary before proceeding with CCS.

Storage science shortfall

CCS technology is still very much in development. Its principle sounds simple - CO_2 that would usually be emitted to the atmosphere is captured at the power plant, transported and injected into deep geological formations where, according to theory, it is stored safely for a long period of time. But in reality, the process turns out to be highly complex, not least because the scale of both sources and storage formations are so vast, and knowledge and experience so limited.

Scenarios indicate that a single 1000MW coal-fired power plant, producing 8.6 million tons of CO_2 per year for 30 years, could generate an underground CO_2 plume which, within a further 20-50 years, could extend over an area of between 200 and 360 km^2, depending on the type and thickness of the storage formation[1]. Continuous injection of CO_2 will also cause formation pressures to rise over large areas, not only in the plume area but well beyond. Simulations indicate that after 30 years of injection, a pressure increase of 1 bar could extend over an area of about 2500 km^2,[2] which will modify the local mechanical stress field and could cause deformation of the surrounding geological formation itself. This would make it far more likely that the cap rock could be compromised, particularly where there are any existing weaknesses, such as faults or fracture zones, providing pathways for CO_2, and, in the case of saline aquifers, metal-laden brines to escape to the biosphere.

continued overleaf...

"As an investor I'd ask how comfortable are you that CCS will work. I haven't seen oil ompanies answer that directly."
- Jan Peter Onstwedder, BP Global Head of Risk, 2001-2007

Cap rock integrity is therefore an essential key for storing CO_2 safely in geological formations. However, large-scale injection of CO_2 will induce a range of strongly coupled physical and chemical processes, including multiphase fluid flow, changes in effective stress and solute transport, and even chemical reactions between fluids and minerals in the geological formation. The more impurities present in the CO_2 stream, the more complex and unpredictable the system inevitably becomes.

To date, most risk assessments and models assume that only pure CO_2 will be stored. In reality, this is very unlikely to be the case. Less-pure CO_2 waste streams, also containing other substances like SO_X, NO_X, hydrogen sulphide or even mercury, are significantly cheaper to generate (albeit with the possibility of higher transport costs), requiring less technological investment and energy to separate from a flue gas, coal gasification process, etc[3]. This economic incentive makes it likely that some companies will choose to store mixed gases.

Keeping carbon captured

Yet these mixtures and impurities could have a major impact on storage integrity. Mineral trapping of CO_2 in a storage formation is hampered by hydrogen sulphide (H_2S), for example. Although it has been suggested by some that large amounts of co-injected H_2S should not prove problematic, interaction with the rock formation cannot be ruled out. Moreover, if conditions in a geological formation allow sulfur to be oxidized, or if CO_2 was to be co-stored with SO_2, very different patterns of pH distribution and mineral alteration would be expected compared to those arising from CO_2 injection alone. Mineral alteration can lead to significant changes in porosity, and hence permeability, which could modify the fluid flow[4]. SO_2 is much more corrosive in the presence of water than CO_2 , such that the mobilization of metals in groundwater and overlying soils or sediments may be higher, leading to a greater risk of trace metal contamination in the surrounding environment[5].

Even if only pure CO_2 was injected, it could still induce dissolution of minerals, especially iron-bearing oxides, that could mobilize toxic trace metals[6] and ultimately create pathways through the sealing rock for CO_2, displaced brines and other associated substances[7]. Although current geophysical techniques allow broad identification and characterisation of fractures in a rock formation, relatively fine (open or sealed) fractures may remain undetected at the time of injection, representing possible pathways for CO_2 sometime in the future.

A much more obvious and, perhaps, immediate pathway for leakage are the wells themselves, whether those used for injection or others in the vicinity which have, at some point, connected with the formation. The potential for leakage of CO_2 through existing and abandoned wells is particularly relevant in regions that have been intensively explored and exploited for hydrocarbon reserves, such as in the North Sea. Although well completion and abandonment practices have evolved considerably over time, even wells drilled and abandoned by today's standards are unlikely to be entirely resistant to the corrosive effects of CO_2 that comes in contact with water.

In short, the risks and uncertainties surrounding CCS are significant, manifold and complex. Despite assurances from industry and government, leakage of CO_2 from storage reservoirs cannot be ruled out. Although the IPCC regards the risks to be low, it is vital to remember that problems may occur long after injection has ended, well beyond the timeframes over which the efficacy and safety of CCS has so far been demonstrated. The big question decision-makers need to ask themselves is not just whether they want to take the risk, but whether it is responsible and sustainable for them to pass the burden of a continued reliance on fossil fuels to future generations. The choice is real - CCS is not unavoidable - if only they put their efforts and money into renewable energies and energy efficiencies, the real solutions to climate change.

Is it responsible and sustainable to pass the burden of a continued reliance on fossil fuels to future generations?

Dr Gabriela von Goerne is a geologist working with the Climate & Energy Unit of Greenpeace's office in Hamburg, Germany.

Dr David Santillo is a marine biologist and environmental chemist working with the Greenpeace Research Laboratories, based at the University of Exeter in the UK

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Remember Saro Wiwa

Remember Saro-Wiwa was part of a wave of activism and awareness gathered outside the Shell's UK headquarters last October. The Living Memorial to writer and environmental activist Ken Saro-Wiwa was a centrepiece in the 'I am an Activist' procession, a carnival of music, puppetry, art and activism in memory of dame Anita Roddick. Since then, the Living Memorial has visited three new sites, including the South Bank Centre and the School of African and Oriental Studies, with a programme of inspiring speakers and live African music. The project also gained the support of the superb Nigerian singer Nneka, originally from Warri in the Niger Delta. Nneka and other musicians will perform in support of Remember Saro-Wiwa in Liverpool on April 24th and 25th. For details please contact ben@remembersarowiwa.com.

Niger Delta singer Nneka performs beside the Living Memorial at the South Bank Centre on the 12th anniversary of the executions. Photo: Martin Le Santo-Smith

The 'I am an Activist' procession meets the Living Memorial outside the Shell Centre. Photo: Kristian Buus

Oil barrels on top of the Living Memorial, carved with the names of the Ogoni activists executed alongside Ken Saro-Wiwa. Photo: Martin Le Santo-Smith

Face off: the Living Memorial to Ken Saro-Wiwa arrives at the Shell Centre. Shell still refuses to take any responsibility for allowing the executions to take place 12 years ago. Photo: Kristian Buus

No Oil Law in Sight – Opposition Intensifies

Eighteen months since its first deadline and a year since cabinet approval, Iraq's controversial oil law is still not on the statute book. The last four months have seen a consolidation of protests worldwide over the Bush administration's top benchmark. Opponents of the oil law and the economic occupation it represents, including oil unions and civil society, appear to be winning the public argument. So what happens next?

The oil law's advocates have not given up, even if they're having to regroup.

Both Shell and BP sponsored the recent Chatham House 'Middle East Energy' event, attended by Iraqi Oil Minister Hussein al-Shahristani, US Ambassador Charles Reis and UK Energy Minister Malcolm Wicks. Shell sent 14 delegates, BP six - seven if former UK Ambassador to Iraq and current advisor Sir Jeremy Greenstock can be counted. 17 delegates attended from across UK government departments - the highest representation being from the Foreign Office (6) and the Department for Business, Enterprise and Regulatory Reform (5). The presence of such high numbers of British oil company and government representatives is indicative of the importance of Iraqi oil within UK foreign policy and economic agendas.

TSAs - A foot in the door

With Iraq lacking a legal, regulatory and fiscal framework for investment, IOCs (International Oil Companies) are understandably cautious. Perhaps most unsettling for them is that Production Sharing Agreements, their favoured form of investment contracts, are off the table for now at least. Instead, Technical Service Agreements are the name of the game, which do not allow companies to book or claim ownership over reserves - bad news for the world's top five IOCs, which have seen their reserves-to-production ratio halve in the past 6 years.

The short-term contracts currently on offer are aimed at boosting production by 500,000 bpd by the end of the year in five key brownfields in the south. 115 companies, including Russian, Japanese, South Korean and Canadian firms have registered their interest.

BP is believed to be in line for Rumaila, Iraq's largest producing field, and Shell for Kirkuk, the second largest. They are hoping these contracts will give them a foot in the door for the more lucrative PSAs in the future.

PSAs - not appropriate for Iraq

But are they coming? Shahristani has started to publicly question whether PSAs would be appropriate - or acceptable - for Iraq. He has also stepped back somewhat from his attack on trade unions, telling reporters at Middle East Energy that Iraqi unions would be part of any consultation over the law and oil deals - the Iraqi Federation of Oil Unions, the dominant oil sector trade union in Iraq is resolutely opposed to the oil law and PSAs. Furthermore, criticism of the Kurdistan Regional Government for signing PSAs has started to focus on the generous terms of the contracts themselves.

The KRG has signed 20 PSAs since July 2007 - Baghdad has declared them all illegal.

The KRG has signed 20 PSAs since last July - and Baghdad has declared them all illegal. Despite the KRG commissioning an opinion from UK lawyers Clifford Chance finding the deals constitutional, Shahristani has remained intransigent. He told reporters at Middle East Energy, 'The contracts of last year will never be accepted. They have not been won through competitive bidding, and the law prohibits that.

These contracts violated the spirit and letter of the law. Even the President of the country, a Kurd himself, has not seen the contracts.' And he has the backing of Iraq's unions, oil experts and senior figures in Parliament.

KRG vs Baghdad

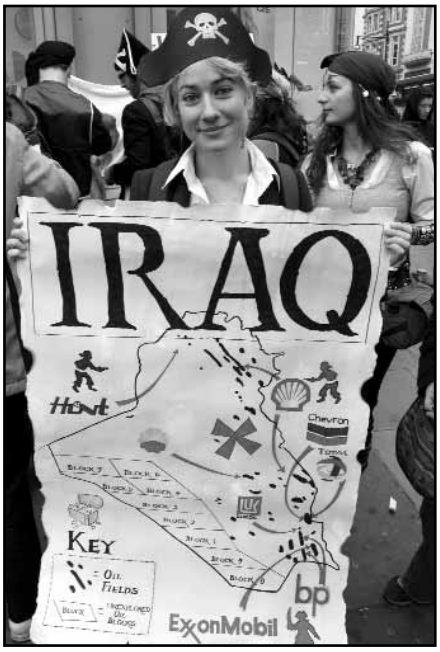
The KRG Energy Minister Ashti Hawrami shrugged off the accusations. He told reporters, 'We are doing our contracts according to the law and it is the Regional Law Committee which has the ultimate last word on the contract.' The Committee is made up just five representatives: the Prime Minister, Deputy Prime Minister, and Ministers of Planning, Finance and Oil.

For Hawrami, the conflict as actually a proxy dispute about the constitution of Iraq, which is set to be revised. 'The problem is not the oil law but the constitution itself and we have always said, this is not the place to have the argument, and to change the spirit and fundamentals of the constitution'. However, he later conceded that, 'Within one year, two, five years, there will be constitutional changes, no doubt about it'.

So how are IOCs hedging their bets in such a politically and legally, not to mention physically, insecure environment? The building of new political and diplomatic relationships with the relevant Iraqi departments is one, depending on existing political and diplomatic relationships with the relevant British governmental departments is another.

Mercenary armies

Attendees at Middle East Energy admitted that many former diplomats now work for Private Military Security Companies, contributing their knowledge of war zones to the intelligence and risk analysis portfolios of PMSCs in Iraq. Despite the FCO stating, 'We have not offered strategic support to PMSCs' it appears PMSCs have it through former diplomats working in their ranks. For example, Rob Sherwin, who worked as a Middle East Business Development advisor for Shell, before moving on to work as a Middle East Economic Advisor for the FCO, now works for Control Risks Group.



The UK's Treasury, Department for International Development, Foreign Office, UK Trade and Investment, Ministry of Defence, and the Department for Business Enterprise and Regulatory Reform all have staff working on Iraqi energy sector-related security and commercial issues.

It appears that other countries' economies are still very much the province of the political and economic agendas of this government. A militarised free market fundamentalism hides behind the seemingly benign mantras of 'economic and regulatory reform', backed up by tanks, F16s and civil servants.

Demonstrations outside BP & Shell stations (clockwise from the left) in Southend, Birmingham, Amsterdam and Wrexham

'Middle East Economic / Energy Advisors' have frequently been drawn from almost identical posts in companies such as Shell, with Rob Sherwin's replacement James Husemeyer being no exception. Prior to joining the FCO, he worked as an advisor within Shell's Global Security Team. The revolving door between the FCO, British Oil Companies and now Private Military Security Companies looks set to be in full swing, fuelled by the back-draft of the Iraq war.

But there is resistance, in the Iraqi civil society backlash against UK-US led plans to privatise Iraqi oil. This is being taken up and spread around the world by human rights activists.

A militarised free market fundamentalism hides behind benign mantras of 'economic and regulatory reform'

The Hands Off Iraqi Oil campaign held its first international day of action on February 23rd Protests against Shell and BP took place in US, Netherlands and UK. 25 towns and cities took part in the UK. Petrol stations were occupied, shut down, climbed-upon and picketed. As the efforts of the British government and oil companies to control Iraqi oil plough on, so does the grassroots resistance to them. The fact that such a hard-lobbied for oil law cannot be passed, is testament to the growing movement against it.

See: **www.handsoffiraqioil.org/**

RBS: Financing atrocity

The Royal Bank of Scotland's uncritical support for oil is contributing to major human rights abuses, underwriting repressive regimes and fuelling conflict.

Following Steven Spielberg's withdrawal from the opening ceremonies of the Beijing Olympics, pressure has increased on other celebrities (and athletes) to follow suit. But whilst China is the popular whipping boy for the human rights disaster in Darfur, behind the scenes Britain's second largest bank is helping prop up the Sudanese regime.

Royal Bank of Scotland doesn't only sponsor rugby. PLATFORM research has uncovered a recent RBS loan to an oil corporation working with and supporting the Sudanese regime. This follows a trend of RBS funding fossil fuel extraction in some of the world's most repressive and war-torn countries, including Burma, the DRC and Equatorial Guinea. In October 2007, RBS underwrote loans of $1 billion for Lundin Petroleum, together with BNP Paribas and HBOS. The Sudan Divestment Task Force (SDTF) classifies Lundin in its Top 5 "Highest Offenders", for its direct support for the Sudanese government during the continued ethnic cleansing in Darfur.

Working with the military

Lundin is exploring for oil in Block 5B in south Sudan, together with Sudapet, the Sudanese national oil company, which is part of the regime. This is one of Lundin's major strategic growth areas, and will probably be where much of RBS' financing goes: 4 out of the 13 exploration wells Lundin will drill in 2008 are in Sudan. Its Sudanese assets are estimated at a potential 500 million barrels - 42% of the 1200 million potential barrels to be targeted in 2008.

Due diligence by RBS should have thrown up concerns as to Lundin's suitability, based on its past record.

Southern Sudan has been one of Lundin's core sites of operation since 1997 - including during the destructive civil war. Human Rights Watch and Christian Aid asserted that, if not complicit, the company enabled Sudanese military operations against local civilians, including the clearing of villages and widespread rape.

The company enabled Sudanese military operations against local civilians

While exploring and extracting oil from Block 5A (neighbouring its current operations in Block 5B), Lundin co-operated and worked with the Sudanese government and military. Lundin's construction of a bridge and road allowed year-round access by Baggara militias to attack local villagers, apparently leading to enormous human rights abuses and significant depopulation around Lundin's operations.

Currently the ceasefire in the south continues to hold shakily, yet Lundin's clear support for the Sudanese government and lack of commitment to human rights gives little hope.

Beyond Sudan, AllAfrica.com reported on 14 February that Lundin approached the government in Somaliland, Somalia's northern breakaway region, seeking exploration rights. Lundin is currently also investing in what it terms "high risk, high reward frontier exploration" in the Ogaden region of Ethiopia, a Somali-inhabited region suffering under the army's current crackdown on separatist rebels.

Lundin Petroleum is not an exception; the self-styled "Oil and Gas Bank" has repeatedly underwritten the operations of oil and gas corporations working in conflict zones or highly repressive countries. The RBS oil & gas team co-financed an $850 million financing facility for Tullow Oil, which is working with the state oil company of Equatorial Guinea to pump 44,000 barrels of oil per day from the offshore Ceiba field.

President Mbasogo maintains absolute control of Equatorial Guinea, claims to have received 97% in the most recent elections and has been criticised for extreme human rights abuses by Amnesty International.

Tullow Oil is also pursuing an "aggressive exploration programme" in the North Kivu region on the border of the Democratic Republic of Congo and Uganda. 400,000 civilians fled their homes in North Kivu during 2007 to escape fighting between government soldiers, local militia and Tutsi insurgents. The conflict in the DRC is widely seen as fuelled by attempts to control natural resource extraction.

Women from Geneina refugee camp, West Darfur Photo: Mirka Czerna

Financing occupation

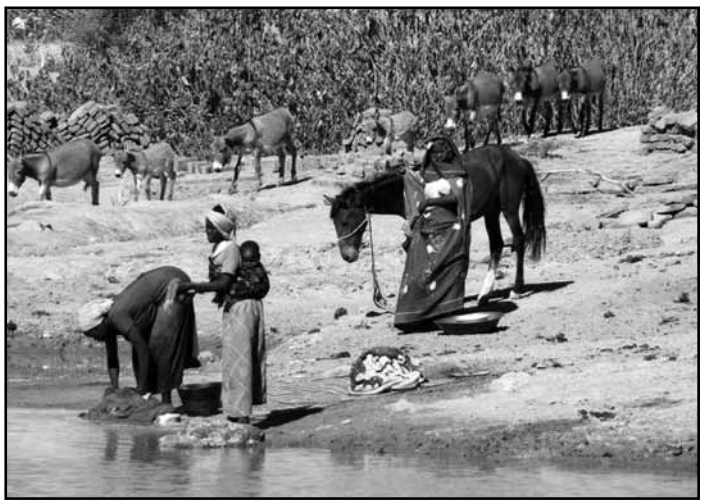
RBS finances numerous oil corporations contributing to human rights abuses globally. However, in some situations, the bank finances the problem project directly. In late 2007, the RBS Oil & Gas Team participated in an $884 million project financing BP's controversial Tangguh LNG (liquefied natural gas) project in West Papua, occupied by Indonesia since 1963. Amnesty International has estimated that 100,000 West Papuans - one sixth of the population - have been killed by the Indonesian military.

Despite BP's human rights assessments, local residents have raised issues around disempowerment, environmental degradation, social degeneration and a failure to fully compensate. Local NGOs LP3BH and Perdu have warned of increased militarization in the region and a failure in recognition of customary rights.

More insidiously, the Tangguh LNG project plays a key role in asserting and institutionalising Indonesia's occupation of West Papua. Repression is still rife.

the Tangguh project plays a key role in asserting and institutionalising Indonesia's occupation of West Papua

Peaceful protests involving the Papuan flag have led to 15 year prison sentences. In 2004, US Senators wrote that "a military campaign in the Central Highlands has led to an inestimable number of civilian deaths and significant population displacement" and "government security forces are operating with impunity".
Papuan NGOs reported in autumn 2007 that military "sweep operations" in the highlands were causing displacement and starvation. The Indonesian government's restrictions on international media and humanitarian organisations makes assessing the reality in West Papua very difficult.



Kulbus Camp, Darfur Photo: Mirka Czerna

RBS assets also appear to be supporting the Burmese junta. With control over 8.25% and a seat for its CEO Fred Goodwin on the board, RBS is the most significant private shareholder on Bank of China, key backer of Chinese oil companies propping up the military regime in Burma. Petrochina and Sinopec have been criticised heavily for co-operating closely with the Burmese military rulers. Both named Bank of China as their principal banker and continue to borrow and repay loans of hundreds of millions of dollars.

In September 2007, Sinopec began drilling an onshore well in a joint venture with the Burmese regime's Myanmar Oil & Gas Enterprise. The launch ceremony on September 26 coincided with the first day of the dictatorship's brutal crackdown on civilian dissent and was attended by military officials and Sinopec executives. Oil & gas ventures in Burma have been repeatedly condemned by human rights organisations as propping up the regime. Sales of natural gas, such as those to Petrochina, account for the single largest source of revenue to the military government.

Whether through its assets, by financing specific projects or through corporate loans to oil & gas corporations, RBS' lending is contributing to major human rights violations across the planet. Whether this is through a wilful refusal to recognise human rights as a relevant concern or merely repeated failures at due diligence remains unclear.

Contextualizing Yasuní

Isabella Colonos responds to "Yasuni – our future in their hands" by Esperanza Martinez in CarbonWeb Issue 8

Preparing maito - wrapping food in banana leaves and baking Photo: Isabella Colona

The Yasuni National Park in Ecuador has recently become the main stage for discussions negotiating pathways to an oil-free future. The "Leave the oil in the soil" proposal, instigated by environmental grassroots organisations and taken on by Ecuadorian president Rafael Correa, is to not extract oil from certain parts of the Yasuní National Park. Ecuador has offered to leave the Ishpingo-Tambococha-Tiputini (ITT) oil fields untouched in exchange for international compensation.

However, the ITT proposal should be seen in a context where Correa's government is rapidly expanding destructive resource extraction elsewhere in the Yasuni area. Secondly, the proposal raises difficult questions over sovereignty and the role of the state and the market in supposedly "protecting" indigenous peoples.

Ecuador: Expanding extraction in the Amazon

Even as Ecuador develops programmes for radical social economic reform, it is part of the Latin American integration project (UNASUR), which includes the expansion of projects oriented towards global free market capitalism - albeit with a changing geopolitical emphasis: not the US or Europe, but China is now the most popular partner in town.

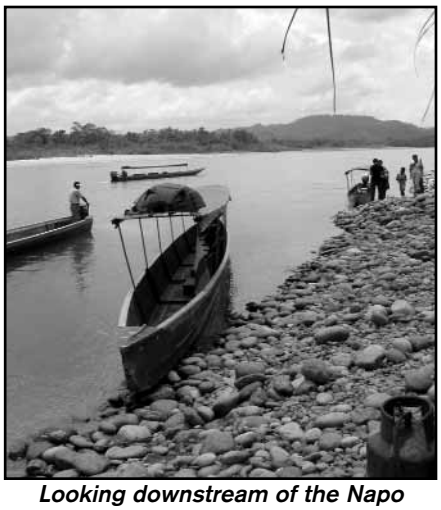
Just outside of town people still struggle to live traditionally Photo: Isabella Colona

Thus the ITT proposal has to be understood against the backdrop of intensifying resource exploitation and infrastructural integration of the entire Amazon basin. Mega-projects to enlarge road and river transport, the so-called interoceanic corridors, combined with dams for hydroelectricity stations and extensive power and communications cabling, are set to tear open the rainforest. This will facilitate intensive agricultural use of the area, above all for ranching, soya and biofuel crops, enabling logging, mining and of course oil exploitation. The corridors will connect the Pacific with the Atlantic, boosting trade links between the most important economic hubs of the region, and with China whose shipping companies will circumvent the US-controlled Panama canal to reach booming Brazilian cities.

The Manta-Manaus corridor will transform the Napo river into a major highway

There is already a road straight into Yasuní - for the exclusive use of the oil companies and Ecuadorian military. Passing by Yasuní on the Napo River, it might surprise the innocent traveller to encounter trucks, docks, and general industrial activity. The Manta-Manaus corridor, a multi-modal transport structure between the Ecuadorian and Brazilian coast, will transform this river into a major highway, and bring the inevitable ecological and social pressures that accompany such infrastructural undertakings right into Yasuní territory. Yasuní might soon resemble a zoo on the outskirts of a big city.

Moreover, not drilling the ITT fields will only protect part of Yasuní. There are five different concessionary blocks in the Ecuadorian Amazon which overlap Yasuní territory. Further, the Yasuni National Park is smaller than the Yasuni UNESCO Biosphere Reserve.
The latter includes an equally biodiverse area just outside the Park's boundaries and the ancestral territory of the Huaorani people, now full of oil wells belonging to Block 16 and the Spanish oil company REPSOL. 70% of Block 31, awarded to Brazilian company Petrobras, lies inside the Yasuní National Park, and 100% inside the Yasuní Biosphere Reserve. According to seismic studies from 1998, this block is estimated to contain 230 million barrels of heavy crude.



Looking downstream of the Napo river, Ecuadorian Amazonia Photo: Isabella Colona

Photo: Isabella Colona

65% of Block 14 is also within the National Park, as are smaller percentages of Block 15 and 17. Block 17 partly extends into the "Untouchable Zone", home to the Tagaeri and Taromenane, peoples in voluntary isolation, who refuse to have any contact whatsoever with other human groups. Venezuela's and Ecuador's state oil companies have a joint venture to build a $5.5 billion refinery in the coastal province of Manabí with a processing capacity of 300,000 barrels a day. Correa's zero-tolerance policy to demonstrations in oil producing areas, combined with such "energy integration" ventures as the joint refinery, make the purportedly radical environmental proposal of leaving the ITT oil in the soil appear in an opportunistic rather than a green light.

Whose sovereignty? Whose self-determination?

Of course, Correa is not the only one pushing the ITT proposal in Ecuador. There is also a civil society campaign for deeper socio-economic change that combines ITT demands with the search for pathways towards a post-oil Ecuador where all remaining oil, not just from the ITT fields, would stay underground. Not everyone working on the broader campaign envisions it to be reliant on the international community for compensation. Even though there are attempts to frame the proposal as a matter of ecological justice - as a reparation or ecological debt which the North owes the South - prevalent global power dynamics are likely to favour the usual "market solutions to market disasters".

They will convert Yasuní into a set of pollution licenses for sale to the highest bidder in the new bioeconomic world order of environmental services and carbon trade.

There is a civil society campaign that combines ITT demands with pathways towards a post-oil Ecuador

In her recent piece in this newsletter, Esperanza Martinez from OilWatch Ecuador argued that sovereignty, the concept and the practice, cannot be commodified. But, as she points out, the struggle over the meaning of sovereignty remains unsettled. Who is the self in self-determination? Appeals to sovereignty are still very much haunted by the spectres of the nation state, place, and property. To generate a vision of shared planetary self-determination, subversion of such concepts is probably indispensable. Sovereignty implies supreme decision-making power. If linked to a nation state and its territory in a context of hegemonic private property, it amounts to a license to exploit, destroy, sell off. For the time being, the official ITT proposal is a conversion of one commodity (extracted oil) into another (unextracted oil), with no particular commitment to the self-determination of those locally implicated.

Appeals to sovereignty are still haunted by the spectres of the nation state, place, and property

In fact, their rights to voice their opinion in this specific context are being systematically undermined through the investing of ever more draconian powers in the army and police force.

Framing the proposal in terms of ecological debt would be a stronger move. Yet this could not remain conditional on a country's geographical luck of extending over oil fields. What about the ecological debt owed countries without oil wells, or mega-diverse rainforests for that matter? If ecological damage is the guide, then surely Bangladesh and the Maldives are owed a significant debt, regardless of their lack of fossil fuel reserves. There still remains some conceptual work to be done.

Data on oil blocks from: "Atlas Amazonico del Ecuador: Agresiones y resistencias" by Accion Ecologica and CONAIE (funded by Oil Watch et al.). Limited edition. 2006.

Isabella Colona is currently engaged in several grassroot projects in Peru and Ecuador.

More info on:
http://www.liveyasuni.org/
http://www.sosyasuni.org/en/
http://colonos.wordpress.com/category/yasuni/

PLATFORM encourages debate and exchange between various viewpoints. If you would like to write a response to this or other articles, please email info@platformlondon.org

Notes from Gog & Magog - Panic in Piccadilly?

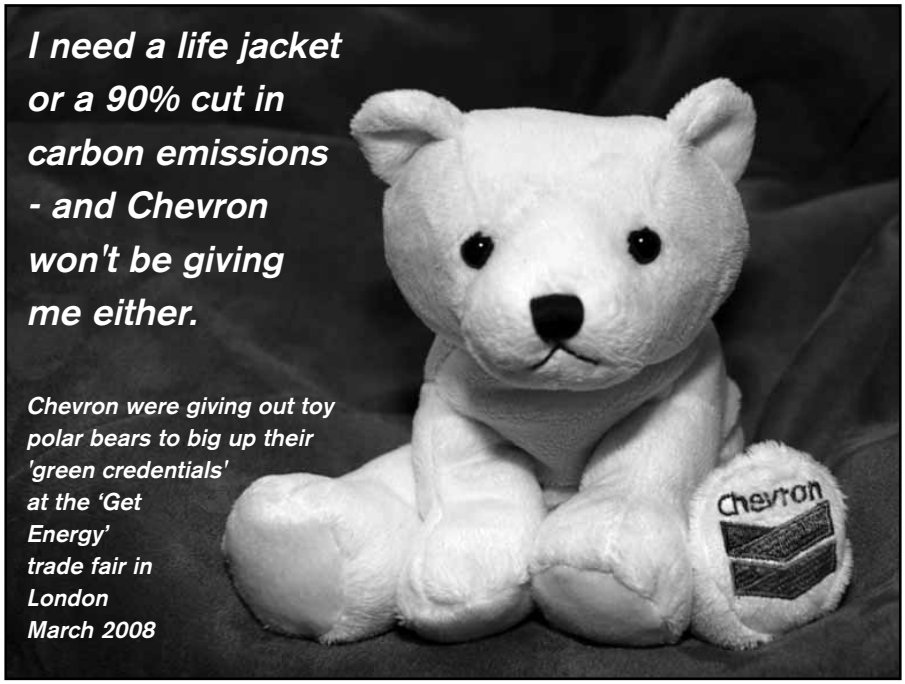
As we reported in Carbon Web no 8, new skipper Tony Hayward's mission has been to create a cultural revolution at BP. Following on from the scrapping of John Browne's office furniture come new suits for the security guards at St James's Square - gone are the beige Armani numbers, in come dour charcoal grey uniforms. But is he really managing to turn the ship around, or is BP still bound for stormy waters?

News leaks out that staff are fleeing the sinking BP Alternative Energy following the October re-structuring. Now we hear that Browne's trusty right-hand man David Allen is to leave and Jan-Peter Onstwedder, Senior Risk Manager, left in December and made the extremely rare move of going to Reuters to question the need to explore for further oil & gas reserves given the urgency of constraining CO_2 emissions. A pretty clear attack on the purchase of the Sunrise tar sands field in Canada.

Canadian Tar Sands

And now we learn that Hayward has ordered a clampdown on the past. Professor James Bamberg authored the second and third volumes of *The History of the British Petroleum Company* covering the period 1928 to 1975. By the end of 2007 he'd completed the most recent volume running up to the near present.

But Hayward has insisted that it not be published. What has he to hide? Is it because it reveals too much about Browne's strategies in relation to carbon? Why the panic? Perhaps it's as Orwell said: *'He who controls the past controls the future'.*



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This interdisciplinary approach combines the transformatory power of art with the tangible goals of campaigning, the rigour of in-depth research with the vision to promote alternative futures.

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