



**SPECIAL SUSTAINABLE BANKING AWARDS EDITION**

# RECKLESS TIMES

EUROPE MONDAY JUNE 12 2006

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British industry can be a world leader and help save it along the way [www.wwf.org.uk](http://www.wwf.org.uk)

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Things are heating up in the frozen corners of the earth. Campaigners at the oil frontier meet big oil. [www.thepriceofoil.org](http://www.thepriceofoil.org)

## City of London on the brink of Green Revolution

RT Sustainable Banking Awards obsolete?

A coalition of no less than 3988 banks and institutional investors, comprising 97 percent of the global financial service industry, will today announce sweeping, indeed revolutionary changes in the way they will conduct their business in the future. The so-called 'Financial Treaty of Utrecht', after the Dutch town, has been prepared in absolute secrecy by a working group of bank representatives, environmental NGOs, human rights activists, indigenous peoples leaders and Southern Heads of States. It will be formally launched this afternoon at an improvised open air 'Bank Aid' rock concert at Canary Wharf, featuring Pink Floyd, the Rolling Stones and U2.

Ironically, the release will be just hours before the Reckless Times is to announce the five winners of the Sustainable Banking Awards, effectively reducing that event to an insignificant, obsolete get together of those not in touch with the pressing needs of our times. The RT and the International Finance the Corporations (IFC) are considering cancellation of the event.

'We just couldn't bear ourselves any longer', said one banker involved in the drafting process of the Utrecht treaty but wishing to remain anonymous; 'We desperately wanted to get away from that whole silly circus of every year adopting new 'codes of conduct', develop obscure internal policies without telling anyone, signing on to all those 'groundbreaking voluntary initiatives' that only break promises and having to deal with those 'emission trading schemes' that boil down to a fart when tested'. When asked whether the announcement of the Sustainable Banking Awards in November 2005 had anything to do with the Treaty coming into being, he responded, 'really, these Prizes are just to keep the jourmos pursuing the wrong stories of who will get what shiny medal; we were in need of something Real, some Substance to our flaky lives, and God, it feels Good!'

A draft copy of the Treaty obtained



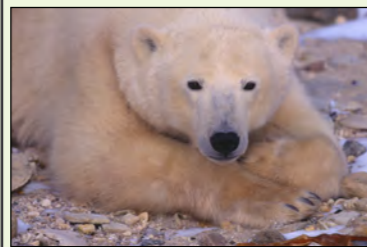
Nigerian village boys watching improvised fire works to celebrate the Utrecht Treaty. Now that banks go green and good, will their lives improve?

by the RT included a series of reforms that, if all implemented within three months as the agreed timeline suggests, will boil down to no less than a departure of Capitalism-as-we-know-it. Agreed measures include the adoption of the 'Total Transparency' concept as working mode for the entire sector; the unconditional write off of all commercial debts owed by Less Developed Countries and immediate repayment of all interest received on fraudulent loans, full cooperation of the banking sector with UN investigators on allegations of keeping authoritarian and outright dictatorial regimes afloat and the closure of all offshore operations in tax havens facilitating capital flight. The Treaty further regulates an immediate end to the financing of all oil, gas and nuclear energy projects with all funds freed up earmarked for concessional lending to energy savings schemes, renewable energy projects

as well as decommissioning and clean up operations. The financial sector will also embrace the concept of 'Free Prior Informed Consent of the Entire Community that Has to Invite us for Tea in the First Place before we even Dream of Walking in There' (FPICECHITFPDWIT) as basis for decision making in all project lending. Finally, the treaty contains an annex with an exhaustive list of all international treaties and laws to be adopted as standing policy for the entire sector.

'We initially had our doubts about these people when they approached us', admitted a spokesperson for the NGO coalition that brokered the deal; 'how much can you really trust a sector that considers the price of their paperclips a matter of client confidentiality. But we seem to share the understanding that soon there is not a whole lot of planet and customers left if things continue unchecked. We got nothing to lose and a world to win'.

### North Pole shrinking



Record amounts of the Arctic ocean failed to freeze during the recent winter. This spells disaster for wildlife and strengthens concerns that the region is locked into a destructive cycle of irreversible climate change. Satellite measurements show the area covered by Arctic winter sea ice reached an all-time low, down some 300,000 square kilometers on last year. If this continues, the Arctic could be ice-free by 2030.

### Communities demand compensation from Equator Banks

Communities situated along the Equator demand that the banks that signed up to the Equator Principles—a set of social and environmental guidelines to apply in project finance—either change the name of the Principles or pay them compensation for 'the deliberate association of our part of the world with environmental hypocrisy and a cynical attitude to life'.

The complaint was filed in a letter addressed to the—in fact non-existing—ombudsman of the Equator banks. It cites numerous examples of situations where the (non)application of the Principles led to international press coverage equating the Equator with 'ignorance, cheating, twisting the truth, manipulation and hot air'.

The communities maintain that having the Principles named after the Equator created a huge backlash in their efforts to market the area as a tourist destination for people seeking 'equilibrium' in their lives. 'It took us thirty years to get rid of a reputation as a malaria infested *no go* area full of destitute people and replace it with an image of proud communities enjoying the 'best of both worlds'. Then suddenly, these PR guys of the banks come along and ruin it', says Huarana Oxyptera from the Ecuador Oriente, who took the initiative. 'The choice for them is between renaming the Principles—what was wrong with the original name Greenwash Principles anyway?—or meet us in court'.

### UniCredit firmly commits to sustainability... in Italy

By Andrea Baranes

Unicredit, the Italian banking group, has pledged once more to continue promoting sustainability within the Italian borders. The announcement follows two remarkable recent policy changes and fits in an on-going multi year effort of the bank to become Italy's most socially and environmentally aware banking institution. Unicredit was the first Italian banking institution to publish its social budget, evaluate its behaviour on issues such as internal management and governance, internal working policies and workers' rights and its direct environmental impact.

Unicredit was also the first Italian banking group to declare its intention to withdraw from any operation dealing with the import and export of arm systems. While it never completely withdrew from this sector despite this commitment, its involvement in such operations had effectively diminished in recent years. However, in 2005, the bank suddenly decided to make a U-turn and become one of the Italian financial firms most involved in the export of arms.

A representative of the Italian Arms Business Association, when asked by the Reckless Times how this policy change fit with earlier commitments, explained that they welcome the 'pacifist' decision by the Bank, since 'in order to foster

Italian peace and security, it would be better to sell these arms abroad rather than keeping them within the Italian territory. You know, the new Italian government is even withdrawing from Iraq now!'

Following the same lucid reasoning, the Iranian NGO 'Nuclear for a Safer World' praised new Unicredit's approach to financing export of nuke, given that reportedly the Bank is the only Italian bank involved in the financing of the highly controversial Belene nuclear power plant in Bulgaria: 'As a popular referendum in Italy in 1987 clearly showed that the Italian people do not want nuclear power plants on Italian territory, the firm commitment of Unicredit to both sustainability and democracy has led it to only finance such plants abroad, but within reach of the necessary power lines to lock the plants on to the Italian power grid and import the very same nuclear energy banned in Italy. That's the new concept of nuclear safety and security!'

As the two recent policy decisions clearly indicate, Unicredit remains seriously committed to protecting the environment and respecting social and human rights in all its Italian operations, while very active in exporting a new concept of corporate responsibility abroad: the 'Not-In-My-Backyard' approach, that could be the winning strategy to secure a sustainable future for Italy; and for the rest of the planet?

## Planète

The Ultimate Reference



The planet on which we live since yesterday has one master clock by which all human activity is measured.

Planète: timeless, forever

**ABOUT THE RT**

The Reckless Times is published in Utrecht and London. Any resemblance—both in content and layout—to other newspapers or sustainability events taking place on June 12 is purely coincidental.

How to contact us - details on Page 3



**WORLD TREASURES**

SPECIES*		ECOSYSTEMS		HUMAN ESSENTIALITIES		NEXT GENERATION**
	TREND		TREND		TREND	
Amazonian Manatee	Vulnerable	Primary Boreal forest	disappearing	Clean air	decreasing	12,3% of orphans amongst children in Africa
Angel Shark	Endangered	Tropical Moist forest	disappearing	Clean water	decreasing	28% of children involved in child labour in LDC***
Asian Elephant	Endangered	Tropical Mangrove	disappearing	Clean soil	decreasing	246 million children involved in child labour
Blue Whale	Endangered	Tropical Flooded Lowland	disappearing	Pure food	polluted	1,8 million girls involved in prostitution
Faviero de Wilson Tree	Critically endangered	Permanent Freshwater Lakes	being polluted	Wilderness	disappearing	36% of children underweight in LDC
Giant Bronze Gecko	Endangered	Freshwater Springs and Oases	drying up	Silence	disappearing	21,9% of children in the US living in poverty
Manta Ray	Near Threatened	Hot Desert	advancing	Darkness	disappearing	26 % Secondary school enrolment ratio girls in LDC
Oran Utang	Endangered	Coral Reefs	bleaching, dying	Human rights	under threat	2 is the number of countries that still have
Polar bear	Vulnerable	Rocky Shores	oil polluted	Peace	under threat	not ratified the UN Convention on the Rights of
Shining Dragonfly	Endangered	Arable Land	decreasing	Employment	shifting	the Child (Somalia and the United States)
Snow leopard	Endangered	Plantations	increasing	Free speech	under threat	1 in 5 children die before age of 5 in Angola, Niger,
Spics Macaw	Extinct in the Wild	Urban Areas	exploding	Food sovereignty	undermined	Sierra Leone, Afghanistan, Guinea Bissau, Somalia,
Sumatran Tiger	Critically Endangered	Wasteland / Landfills	spreading	Universal education	too costly	Equat. Guinea, Rwanda, Chad, Mali, Congo, Liberia
Western Gray whale	Critically Endangered	Roadsides	dominant	Universal Health Care	too costly	

## CLIMATE AND ENERGY

## A Bang of a Deal; Belene in Bulgaria

By Heffa Schücking

This year's "Reckless Deal of the Year" Award must surely go to Unicredit, Citibank, Deutsche Bank, Commerzbank and HypoVereinsbank for lining up to support a project that has succeeded in surprising even the most seasoned and cynical environmental advocates. It is not only certain to waste a stupendous amount of money; it's also astoundingly dangerous: The Belene Nuclear Power Project (NPP) in Bulgaria. We know this leaves many banks, which also did their best to find bottom-of-the-barrel projects, disappointed. But we firmly believe that the banks that picked Belene deserve special recognition. Here are our reasons:

*These banks don't just talk about reputational risk; they go for it.*

A recent survey by the European Commission shows that 88% of EU-citizens do not support further investments in nuclear power. Although four out of the five award-winning banks have their base in Europe, they are ostentatiously willing to go against public opinion. And talk about timing! Just weeks before the 20th anniversary of the Chernobyl catastrophe, when all

those do-gooder, nay-sayer groups like 'Mothers against Nuclear', 'Children of Chernobyl' and 'Greenpeace' took to the streets, these banks had the courage to let it slip out that they are interested in financing the completion of an old soviet style reactor in an Eastern European country. Wow!

*Setting new precedents for double standards.*

The VVER 1000-320 reactors are known to have safety problems and would therefore not be awarded a license in the U.S., Germany, Italy (or any other Western country). But these banks were willing to take a stand and say: "Hey, what's not safe for us, is fine for Bulgarians" (and people in neighboring countries, we might add - radioactivity has no respect for borders). Funny though, that even the Bulgarian Government used to think that Belene wasn't good for Bulgarians. In the 1990s, the Government characterized the project as 'technically unsound and economically unviable' and cancelled it.

*The most useless Environmental Impact Assessment (EIA) we've seen in a long time.*

One has to admire how the EIA for Belene manages to not examine any of the prevalent questions like

"Are there alternatives to Belene?" or "What is the risk of a major nuclear accident?". Details like a catastrophe plan or how to solve the storage problems for radioactive waste are well, just details, and therefore put aside.

Interestingly, the EIA is based on technical data from the reactors 5 and 6 of Kosloduj, the only NPP that Bulgaria currently operates. Since Bulgaria has to shut down reactors 1-4 at Kosloduj to join the European Union, the government decided it needs to finish those Belene reactors after all. Its plan is to use the same design as Kosloduj 5 and 6. And hey, nothing has gone wrong there yet, has it? Unless of course, if we count what happened at Kosloduj 5 on March 1, 2006. When engineers noticed that one of the coolant pumps was defective, they tried to follow protocol and switch off the reactor. But guess what: they couldn't because the central safety system didn't work. The former head of the Bulgarian Nuclear Safety Agency, Gueorgui Kastchiev (who has now moved to Vienna - probably because it's safer there) explains that if there had been a large leakage in the cooling system, this would have led to a major nuclear accident after about two minutes, the time it takes

to read this article.

*There aren't many projects with this much potential for spiraling costs.*

Usually developers and financing agencies focus on the so-called 'least cost' option. That's one of the reasons why we don't see new nuclear plants cropping up throughout Western Europe; the darn things are too expensive. Now, I always thought of Bulgaria as a relatively poor Eastern European country, but maybe I'm wrong here. After all, its Government wants to blow somewhere between 2.7 and 4 billion Euro on Belene and those are only the cost estimates. They don't include the bills for eventually decommissioning the plant or storing all that nuclear waste for a couple of ten thousand years. But hey, why plan ahead?

So our banks deserve some credit here (pardon the metaphor) for radically revising the idea of 'least cost' to 'most cost'. After all, it means they get to lend more money, right? Of course Bulgaria could simply decide it wanted to relinquish its current number one position on the list of European energy wasters. It would take only a couple of cheap investments to reduce 20% of the total energy bill, lost due to wastage

and inefficiency. But then, why spend a little bit of money on something that's environmentally beneficial, if you can spend a whole lot of money on something that would release as much radioactivity as 100 Hiroshima bombs if things go awry?

One reason is, well, Gazprom. Now you may think: "Why should they care? They're a big Russian gas company". But Gazprom is much more than 'just' a gas company. It's an ambitious imperial power. So in January of this year - with their own characteristic diplomatic charm - Gazprom told Bulgaria that they were going to have to review current gas contracts, unless Bulgaria does exactly what Gazprom wants. One item on that list was Belene. And it just so happens that the two companies bidding to construct Belene, both belong to (surprise, surprise!) Gazprom.

This shows us what historical progress is about. During the age of the 'Iron Curtain', Russia had to bully the Balkans all by itself; now, it can do so with the support of Western banks. And just think of the possibilities: In a few years, Gazprom could perhaps threaten Germany or Belgium with cutting off their gas supplies, unless they



order a few dangerous soviet style reactors, produced by our favorite Russian company...

*We truly admire the sheer recklessness of this deal.*

You don't have to be a Nobel Prize winner to realize that building a nuclear power plant in an earthquake area is a really, really dangerous thing to do. Some would even call it a really stupid thing to do. Belene is only 12 km from Svistov. And people there remember 1977, not because this was the year that Elvis died, but because around 200 of their neighbors died in a big earthquake.

But who knows, maybe the [www.urgewald.de](http://www.urgewald.de)

## Shell playing Russian Roulette with banks

By James Leaton

Far away in the icy waters of the north-west Pacific Ocean, Shell is developing a US\$ 20 billion disaster waiting to happen. Phase 2 of Sakhalin II is the largest integrated oil and gas development under construction on the planet. The Sakhalin Energy Consortium is led by Shell (55%); Mitsubishi and Mitsui are the other shareholders.

The consortium has applied for project finance from the European Bank for Reconstruction and Development, (EBRD), the UK Export Credit Guarantee Department (ECGD), the US Export-Import Bank, and the Japanese Bank for International Cooperation. It has also approached commercial banks as ABN AMRO and Royal Bank of Scotland for loans. The application has been lodged with the EBRD for three and a

half years now. The extensive deliberations are indicative of the EBRD's dissatisfaction with the way Shell is implementing the project.

The oil project is facing tremendous social and environmental challenges, with the oil giant appearing unable to rise to them. The project has experienced delays and a 100% cost overrun, indicating the poor quality of management. Yet this has served to put even greater pressure on communities and the environment, as Shell is unwilling to find time in its schedule to incorporate any other concerns. Jeroen van der Veer, Shell's Chief Executive, commented "We do some projects very well, and this large Sakhalin project and some others we don't do very well".

One of the things not done very well is dealing with whales. Shell's offshore construction surrounds the only known

feeding area of the Western Gray Whale, a critically endangered species, of which only around 100 individuals remain. The whales are extremely sensitive to noise and pollution resulting from the construction.

The disconnect between Shell's lip service to biodiversity issues and the rush of project managers in Sakhalin 'to get things done' was illustrated when Shell went to the trouble of convening some cetacean experts, including acoustic specialists to discuss 'acceptable' noise and pollution levels but then proceeded to install the platform base before concluding its discussions with these experts.

As a result Shell breached the noise limit it had previously set of 120dB, with its own figures indicating extended periods over 140dB. With even noisier activities due in summer 2006, the whales are set for an uncertain future. The most recent review by

whale experts concluded that any claim that Sakhalin II's offshore operations had not had any impact on the whales was "unfounded". They also commented that Shell's decision to install the platform had "obviated" their review. Excess noise is likely to cause the whales distress and displace them from the feeding area. Adequate intake of food is necessary for the whales to survive the harsh winter. A worrying sign is that more emaciated whales have been observed since 2001 when Shell started construction.

Shell has also not been able to deliver even the most basic mitigation measures when crossing rivers with the pipelines. Despite a requirement to cross the rivers 'simultaneously', the average gap between oil and gas pipeline installation is over 100 days. Erosion control measures have been patchy at best, and the company has failed

to put in place basic monitoring equipment to assess the levels of sediment in rivers. These rivers are vital for salmon spawning, but increased levels of material in the water deter salmon, and silting up of gravel beds affects spawning. One of the other areas not done well is the oil spill response plan. Shell has not even published the likely impact of a spill in winter ice conditions for the Piltun region. A recent review by Alaskan experts estimated that Shell would not be able to respond to a spill for over half of the year, due to ice, wind, waves, fog and safety concerns. The region is one of the worst places in the world to try and respond to a spill, and as a result, investors face an uncertain level of risk.

Sakhalin II is set to be a major test for Equator Principles banks. As they conduct their own assessments of the project, they will have to take into account the extensive

negative attention to the project, as well as the shortcomings with regard to international standards. At this stage it is not clear what influence any lender could have; the damage already done can't be undone, and there is little that can feasibly be changed on a project over two-thirds complete. The banks will have to decide whether to sacrifice the integrity of the Equator Principles for a client relationship.

Sakhalin is a warning sign that Shell has not got its act together on remote challenging projects in ice conditions and sensitive environments. As a result Shell's portfolio is on thin ice, with their Arctic interest in the Beaufort and Barents Seas a concern given its record in Sakhalin. It is only a matter of time before Shell and any bank that supports the project is left holding a smoking gun in this real-life game of Russian roulette.

## RBS Deals – Screwing it Up!

## Drilling Oil for Sheepland

Interested in drilling for oil, building a pipeline or constructing an LNG terminal? Need some extra cash? Then come to us - the Reckless Bank of Sheepland.

Our dedicated Oil & Gas team in Bishopsgate can offer you cheap loans, lots of credit and financial advice. As our head of Oil & Gas, Steve Millstone says "We are the oil and gas bank driving upstream and midstream development. And when I say driving - think Schumacher in an SUV."

RBS has carved out a niche in the ongoing effort to force open the carbon frontier. As oil corporations enter deeper into frontier regions, you will face increased costs of longer pipelines, deeper drilling and adverse weather conditions. Now we know you'd prefer not to carry the entire risk on their balance sheets. So we'd like to fill that gap with complex loan agreements, project finance and borrowing-base facilities. Hand in hand, we will tear down the Amazon rainforest, dig up the Niger Delta and melt the Siberian wastes.

We are particularly proud of our role in improving the global climate. Anybody visiting our head office in Edinburgh will appreciate the potential future impact of our indirect carbon emissions. Steve Millstone again, "This natural gas has lain deep beneath the Gulf Seas for millennia. By pushing a few keys, a handful of individuals in Bishopsgate make it possible for you to unearth vast quantities of carbon, ultimately to be released into the atmosphere, where it will stay for further millennia." Our CEO, Fred "The Shred" Goody recently thanked the RBS Oil & Gas Team "for their spectacular efforts in transforming Sheepland into the new Costa del Sol. So what if southern Europe will be desert - they should have taken a job with RBS and migrated to Gogarburn."

But it's not just about the climate. We are eager to improve the planet in other ways too. Our Oil & Gas Team are particularly interested in projects that will:

- \* shore up and protect strong leaders, who understand the need for enforcing the rule of law and silencing pesky critics.
- \* encourage evolution. If a species can't survive a pipeline, what's it doing on this planet?
- \* remove unnecessary social and environmental regulation by introducing Host Government Agreements
- \* undermine international transparency initiatives. Why should anybody report which Swiss bank account they're funnelling funds into?

As Carolyn McEve, Head of Group Communication puts it, "We are so beyond 'win-win' - RBS Oil & Gas have developed the 'win-win-win-win-win' solution." Please don't let our carefully nursed public image as a gentle corporate citizen interested in sustainability and human rights put you off. We might have to ask you some boring questions about your social and environmental impact. But please, don't try to answer them correctly - we don't want to know the truth. We only ask them to keep pesky NGOs off our backs.

We're not your typical bank. Our Oil & Gas involvement stretches from the Gulf of Mexico to the Gulf of Arabia, from the North Sea to Australia. We're providing the financial fuel that drives the oil industry.

<b>Tullow Oil</b>	US \$850,000,000	August 2005	<b>Sonangol</b>	US\$3,000,000,000	October 2005
Borrowing base facility Tullow Resources have operations in Africa and Asia, supporting order and strong government in Equatorial Guinea and Pakistan.			Structured export finance facility; providing an alternative to World Bank transparency standards, empowering Angolan bureaucrats to open Swiss bank accounts.		
<b>Opti Canada Inc</b>	US \$400,000,000	April 2006	<b>RasGas II &amp; 3</b>	US\$10,000,000,000	August 2005
Credit to finance long Lake Oil Sands project in Canada. Introducing oil sands in case oil and gas do not succeed in improving the global climate.			Development of five new LNG trains in Qatar. Output of 29.7 million tons per annum = 130 million tons of CO <sub>2</sub> = Argentina's annual emissions. Melting the ice-caps to provide drinking water for the future Central European desert.		



## RT SUSTAINABLE ENERGY DEAL OF THE YEAR?

## Calyon, Standard Chartered, Mizuho

Involved in arranging a US\$ 1.1 billion five year loan to Chinese oil company Sinopec Overseas Oil & Gas, a partner in Petrodar Operating Company, a consortium whose partners also include China National Petroleum Corporation (China) and Sudapet (the Sudanese state-owned oil company). In August 2005, Petrodar commenced production of oil in Southeast Sudan, providing a major source of revenue for the Sudanese government to pursue the civil war in Darfur.

## ABN AMRO, Deutsche Bank, Nedbank, WestLB?

Providing US\$ 3.0 billion structured commodity export finance facility to Angolan state-oil company Sonangol. Oil backed loans are described by the World Bank and the IMF as core obstacle to the country's development as leading to corruption on a truly massive scale.

## Credit Suisse, ABN AMRO, Bank Sarasin, HSBC?

Managing the issuing of bonds of Total, sponsor of the Yadana Gas Pipeline project in Burma, a very important source of income to the Burmese military, funding a corrupt and repressive regime that has massacred non violent protestors and allowed the drug trade to flourish. The pipeline routes also cut through one of the last intact rainforests in Southeast Asia, home to dozens of endangered species.

## RECKLESS TIMES

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MONDAY JUNE 12 2006

## A STEP TOO FAR

## Investors pledge support for US army under siege

By CS

The Pentagon yesterday announced it will start legal proceedings against the parents of Fanar al-Massar, charging them with neglect of minors resulting in damage to US government property. The 8-year old Iraqi boy last week walked on an American antipersonnel mine on his way to school in Basra. The explosion that followed left the device effectively destroyed.

It could not be established whether Fanar deliberately destroyed the mine as he did not live to tell the account. US officials immediately stated it was time for a clampdown on such ongoing acts of destruction of American property. 'If we do not act now against such deeds, most of the time committed by children, parents will never teach them discipline.' The Pentagon seeks a compensation of 23,000 US\$ from the parents for the damage caused by the boy, explaining that 'the real costs go far beyond the displacement of the mine at an appropriate location, but also include the useless flight of the pilot deployed in 1991, fuel, catering and man-hours'. The Ministry of Finance stated that 'unless people get punished for such senseless acts of vandalism the US budgetary deficit will never get resolved.'

The loss of yet another landmine comes at a critical moment as ATK, the producer of the concerned landmine and US based Textron are struggling to develop a new generation of American landmines, referred to as the Spider system. The project recently suffered some severe setbacks when several European banks decided to no longer invest in the production of antipersonnel mines. However, the French-based financial group AXA, commenting on the news from Basra, emphasised its commitment to continue to support the development

## A WORD OF ADVICE

## Start acting on human rights

By Andreas Missbach

The discussion about the obligations of corporations with regards to upholding human rights has picked up speed in the past few years. This debate of course also applies to financial institutions, if they find themselves funding clients involved in activities or projects where human rights violations occur.

The role played by the financial sector in human rights violations and the sector's human rights obligations have not been separately reviewed up to now. Neither the "U.N. Norms on the Responsibility of Transnational Corporations and Other Business Enterprises with Regard to Human Rights" nor the U.N.'s voluntary Global Compact deal specifically with banks. However, the discussion about the key terms "sphere of influence" and "complicity" in the UN Norms shows that the responsibility of financiers for the observance and promotion of human rights also applies to whatever they finance.

"Sphere of influence" is not a legal concept; it comes from geopolitical discourse (the sphere of influence of a country), this context makes it clear that the responsibility of a corporation not only concerns the treatment of its own employees or the environmental impacts of its own office building – but rather a larger "sphere". As the Office of the U.N. High Commissioner for Human Rights (OHCHR) states: "Obviously the larger or more strategically significant the company, the larger that company's sphere of influence is likely to be."

programme. Having to be cautious on their own direct investments, AXA defined a policy which allows it to keep antipersonnel mines in the running for investments by their clients. People close to the situation yesterday confirmed that a thank you letter from vice president Cheney is on its way to AXA's CEO Henri de Castries.

In a related development, the Pentagon has announced that the modernisation of the White Phosphorous Plant at the Pine Bluff Arsenal in Arkansas is proceeding according to plan. Work is expected to continue until January 2007 after which the US military-owned plant will be able to deliver new and better white phosphorous weapons to the US army. In October 2005, the Shaw Group and Teledyne Technologies were granted a US\$ 23 million contract to modernise the White Phosphorous Plant at Pine Bluff. Pleased with the speed of the modernisation process and citing ongoing support for efforts of the US army to create favourable investment conditions in Iraq, two European financial groups, the French-based AXA and the Dutch-based ING, are investing several million dollars in both The Shaw Group and Teledyne Technologies.

In November 2004, White Phosphorous was the weapon of choice of US troops battling insurgents at Fallujah, the city of mosques, 70 km to the west of the Iraqi capital Baghdad. When faced with the challenge how to weed out 1000-6000 insurgents from a total population of 50,000-100,000 people still remaining in the city, the deployment of this body-burning and fast killing gas effectively did the trick, albeit also resulting in an unknown number of innocent civilians dying amidst of the hellish chaos resulting from the phosphor attacks.

Banks operating worldwide that also exercise an exceedingly strategic role in financing, have therefore a large sphere of influence.

The notion of complicity is on the one hand a legal term that governs certain criminal offenses. On the other hand it came into use in connection with corporations and human rights violations, for example in cases filed under the U.S. Alien Tort Claims Act against human rights violations committed by firms abroad. The OHCHR defines complicity in the following manner: "A company is complicit in human rights abuses if it authorizes, tolerates, or knowingly ignores human rights abuses committed by an entity associated with it, or if the company knowingly provides practical assistance or encouragement that has a substantial effect on the perpetration of human rights abuse." So, financial institutions can already be complicit simply by ignoring the human rights violations of a client while providing financial assistance for the client's activities.

Given the implications of their activities banks need to understand their human rights impact, they need to develop human rights policies in consultation with relevant stakeholders and in a transparent manner. The implementation of those policies should require banks to systematically consider risks to human rights in the operations they support, and to take effective action to mitigate those risks.

www.evb.ch

## HUMAN RIGHTS

## A TOTAL SOLUTION

## Belgian financial groups pleased with profits in Burma

By Jane Sorrow from Brussels

Five financial groups, AXA, ING, KBC, Dexia and Fortis, offer interesting investment opportunities to companies with a high score on complicity with human rights abuses in Burma. That is the conclusion of a survey published today by the Belgian consultant agency Ernstig&Jong. The report spells out how banks' clients and investors can contribute to a wide variety of human rights violations, ranging from support to oppressive regimes to systematic violation of workers' rights.

Investors seeking opportunities in Burma, can choose from a broad spectrum of activities and companies in the oil and gas sector, mining and forestry. Some internationally renowned companies have developed interesting and promising projects in the region.

Unfortunately, foreign investments in Burma are deeply

contested and in many cases illegal, because of international sanctions and embargoes. Anna Clearabout, spokesperson for E&J, blames the current adverse investment climate in Burma to ongoing campaigns by so called 'human rights' propagators. "This country has everything going for it, yet these forces seem to support the call by the National League for Democracy (NLD), the winner of the last democratic elections, to disinvest in the country. They do not understand that strong repressive measures are sometimes necessary to curb tendencies towards democracy and other forms of anarchy which may threaten the economic viability of investments. The widespread use of forced labour for the building of roads and railways, the deployment of child soldiers and the systematic use of rape as a weapon of war against local communities by security forces hired by investors is sometimes the only way to go to ensure the economic viability of investments", she states.

The report of E&J indicates there is yet reason to believe that foreign investment will flourish in the country. Despite the unfortunate side effect of causing worldwide public outrage, several multinational corporations have established cordial relations with the military junta, allowing them to smoothly proceed with their projects. One particularly interesting example is Total, the French energy giant and largest foreign investor in Burma. For years already, Total provides the military junta with a steady income of 400 million US\$ a year, after it developed a gas exploration project in the country in the early nineties. Two months after the elections in 1990, won by the democrats but then dismissed by the military, Total signed a contract with the regime to conduct exploration studies. In 1992, it obtained a contract for the extraction of gas from the Yadan Gas field in the Gulf of Martaban, 350 km off the Burmese coast. This project is executed in close cooperation with MOGE, a

Burmese company firmly controlled by the junta.

In return for the moral and financial support provided by the project, the Burmese regime assured a full range of support services to Total. First of all, the entire region of the gas pipeline was militarised and the local inhabitants forcibly removed from their homes. After this clean up, the military forced the population to construct the military infrastructure needed for the troops that protect the pipeline. These same troops, part of a military routinely enlisting children and world renowned for the effectiveness in which they use widespread rape as a remedy against rebellious populations, were then engaged to guard the pipeline, thus securing the steady flow of gas and revenues to both the regime and Total. Challenges arrived when Total was sued for complicity to these practices by ill informed NGOs but fortunately the company did not bow to these pressures and maintains its activities in the

country. Such bold posture pays out. At its latest shareholder meeting, Total announced an adjusted net income of 12 billion Euros, up 31% from last year. The average annual increase in dividend payments over the past five years amounts to 14%. AXA, ING, Fortis, Dexia and KBC have understood like no other that Total knows how to deal with human rights getting in the way of profit in a country like Burma; simply ignore them. So far they invested a combined amount of almost US\$ 2.4 billion in the company and have pledged further support to the company and of course the people of Burma.

According to Ernstig&Jong, all major British banks offer similar investment opportunities in Burma. Prospective clients are advised to get in touch with their local branch for more information.

www.mymoneyclearconscience.be

## French banks get serious on climate change

By Sebastien Godinot

Long seen as laggards in the international banking world, French banks are finally cranking up their commitments on climate change. That is the remarkable conclusion of a study released last March by no other than Friends of the Earth France.

The study found that the three biggest French groups, Crédit Agricole/Calyon, BNP-Paribas and Societe Generale, provided no more than 20 billion euros in loans for fossil fuel projects throughout 2005. None of these projects were very significant on a world scale; Crédit Agricole was for instance involved in a small refinancing deal for the oil company Sonangol of Angola of only 2.25 billion euro, while Societe Generale coughed up for the 4,5 billion US\$ Dolphin gas pipeline project in Saudi Arabia. In stark contrast to these niche markets, all three banks provided massive support to energy

efficiency and renewable energy projects, totalling a few hundred million euros: in 2004, Societe Generale provided no less than 88 million euros to wind farms, with Credit Agricole a rocking 120 million euro.

FoE France was able to produce the report thanks to another remarkable development amongst French banks; at last, they become as talkative as their nationality suggests, lavishly sharing information on all their investments, policies, targets, training practices, codes of conducts etc. with whoever bothers to call them. Full disclosure on procedures, monitoring and compliance mechanisms and external independent audits are now common practice for all project deals.

It pays off too. In 2005, Crédit Agricole reported 3,7 billion Euro in net profits.

To read the full study :  
www.amisdelaterre.org



## RT SUSTAINABLE BANK OF THE YEAR?

WestLB?

Financing the Toka Tindung Gold project in North Sulawesi province (Indonesia), threatening a UNESCO World Heritage Site on the island, while its sub-sea tailings disposal severely threatening fishery and tourism on which local communities depend.

## RT SUSTAINABLE DEAL OF THE YEAR?

ABN Amro, Citigroup, Deutsche Bank, HSBC, Calyon, Credit Suisse, Mizuho

For being involved in arranging a credit facility to BHP Billiton of Australia to finance the acquisition of the Australian mining company WMC Resources.

WMC Resources operates the largest uranium mine in the world (Olympic Dam in South Australia), which is strongly expanding to meet growing global demand for nuclear energy. The mine expansion is controversial because of the dangers it creates for the traditional Aboriginal lands on which the mine is located, the nuclear waste created by nuclear energy and the danger that uranium is used in nuclear weapons. BHP Billiton itself is under fire for its questionable environmental and social conduct in the Philippines, Colombia, Australia and Indonesia.

## SUSTAINABLE EMERGING MARKET DEAL OF THE YEAR?

Citigroup, ABN Amro, Barclays Bank, Calyon, Credit Suisse, Deutsche Bank, Standard Chartered, HSBC, WestLB

All involved in providing credit to Bunge of the United States. Bunge is one of the most important soy traders and processors in Brazil. The fast expansion of soy production in the Amazon and cerrado areas leads to large scale conversion of forests. Bunge owns a large soy crusher in Piauí province with a capacity of 660,000 tonnes per year, enough to process 300,000 hectares of soy. With a doubling of capacity to 1.3 million tonnes anticipated in early 2007, it can be expected that soy production in the area around the crusher will expand by about 400,000 hectares. At least two soy fazendas supplying soy to Bunge have been linked to slavery practices.

The RT was produced by: Mika Minio Paluello, Christophe Scheire, Inez Louwagie, Heffa Schücking, Nick Hildyard, James Leaton, Andrea Baranes, Antonio Tricarico, Andreas Missbach, Sébastien Godinot and Jorge Daniel Taillant.

Special thanks go to: Jan Willem van Gelder for research, David Cochard for the illustrations, Jimi Pépin and Bart Bruil for lay-out and design, Stephen Shaver, Elaine Gilligan, Friends of the Earth and many others for the pictures, Johan Frijns for editing and writing, Marthe Reinette for support and Juliette Mathis for the general coordination of the project.



How the face of the earth is changing beyond recognition, how Sakhalin's extraordinary landscape gets scarred by pipelines, how Borneo's chaotic rainforest is replaced by nicely organized palm oil plantations, how Laos' indigenous peoples see their land submerged under reservoirs of mega dams, how CEOs see but do not hear, let alone listen – plus the lure of being in charge of all this and still go home feeling like a winner.

All in how to spoil it, free with the Weekend RT next Saturday

RT RECKLESS TIMES  
World richness newspaper

## Integrating Social and Environmental Standards into Bank Lending

An RT Award Nominee reflects on a VERY Important Assignment

By Adrian Mole, Aged 35 ¾,  
Investor Relations

November 2005 and it's the Director of Investor Relations on the phone. Speaking to me! Wow! How Kool is THAT!

"The Reckless Times have an award going. Sustainable banking. We want to win it. Over to you."

Ring Pandora. "What's sustainable banking?" "Bit green, aren't you?" Very helpful I MUST say.

OK, hit the websites. Facts-at-one's-Fingertips time! Did you know that you could fill a freight-train from here to the moon with all the soil that gets washed away every year? That toxic sludge is good for you? Or that the polar icecaps are rapidly melting and that OUR bank is actually helping to make all this happen?

Ring Pandora. "Hi Pan! We're melting the ice caps." "Durr. I thought you were in PR. Didn't anyone tell you? You're helping to release much needed water for the drought-ridden regions of the Third World."

Download the application form from the RT. "What were the main environmental, social and economic benefits of the transaction (e.g. local benefit capturing, greenhouse gas mitigation)?"

Don't need Pandora for this one. Dead easy. Look through old annual reports... Here we are: BP oil pipeline from Azerbaijan, Georgia and Turkey. Heard of Turkey. Not sure about the others... Africa? Outer Mongolia. Anyway must have made everyone bags of lolly.

Back to the net. Two hundred and ninety-one thousand hits. Human rights abuses, corruption allegations, protests, technical failures, regional conflicts being made worse, possible TERRORIST threat, experimental technology, local communities being cheated...

Ring Pandora. "It says here that all the oil will be exported to the West. Not one drop will go to local people. And they will be left living in sub-zero temperatures." "That's right silly. You are helping to PREVENT climate change. Just think of what would happen if this oil was available to future generations of Chinese and Indians and Azeris and Georgians. We would never be able to stop them using it. And any way the

locals are used to the cold. They have been living like that for generations. We are simply supporting their already sustainable lifestyles."

"But couldn't we have financed some windmills or something?"

"Just give us a break Sancho Panza. Windmills Scindmills."

Back to the application form. "Please provide a list of the relevant policies and standards your organisation has developed to manage sustainability issues (e.g. human rights, diversity and gender issues, carbon/climate change, corporate governance, extractive industries, dams, forestry, etc.)"

Ring project finance. "£%X"!!! No need for them to be quite so rude. I realise deals are deals but I have a job to do, too.

Ring investor relations. Pretend to be a student. Barry in the booth opposite answers. Rabbits on about the Equator. Fat lot of help. They're hardly likely to be freezing there.

Maybe he's trying to pull a fast one. So look up Equator. Seventeen million, four hundred thousand entries on Google alone.

Ring Pandora. "The Equator PRINCIPLES, lover boy. Just say all your projects conform to

them. Doesn't matter if they don't. No-one can object - the lawyers insisted on a clause to ensure signing up to them didn't create any legal liabilities. Nice one. Must dash."

Email from "Strictly Confidential". This job must be important. "RE: RT Awards. Understand that you are handling the submission to the RT awards. As you may know, NGOs have been very critical of our project. Please run anything you submit via us first."

What a stroke of luck. No doubt Strictly Confidential can help with the next question. Email back: "We have to say how we engage with NGOs. Any suggestions?"

"Don't - except on an opportunistic basis. They're just trouble makers."

Ring Pandora on her mobile. "Troublemakers? No, No, NO. They are your 'stakeholders'. And while we're at it, here are some other words to use: 'win-win-win', 'triple bottom line', 'NGO partnerships', 'dialogue'. Gotta dash."

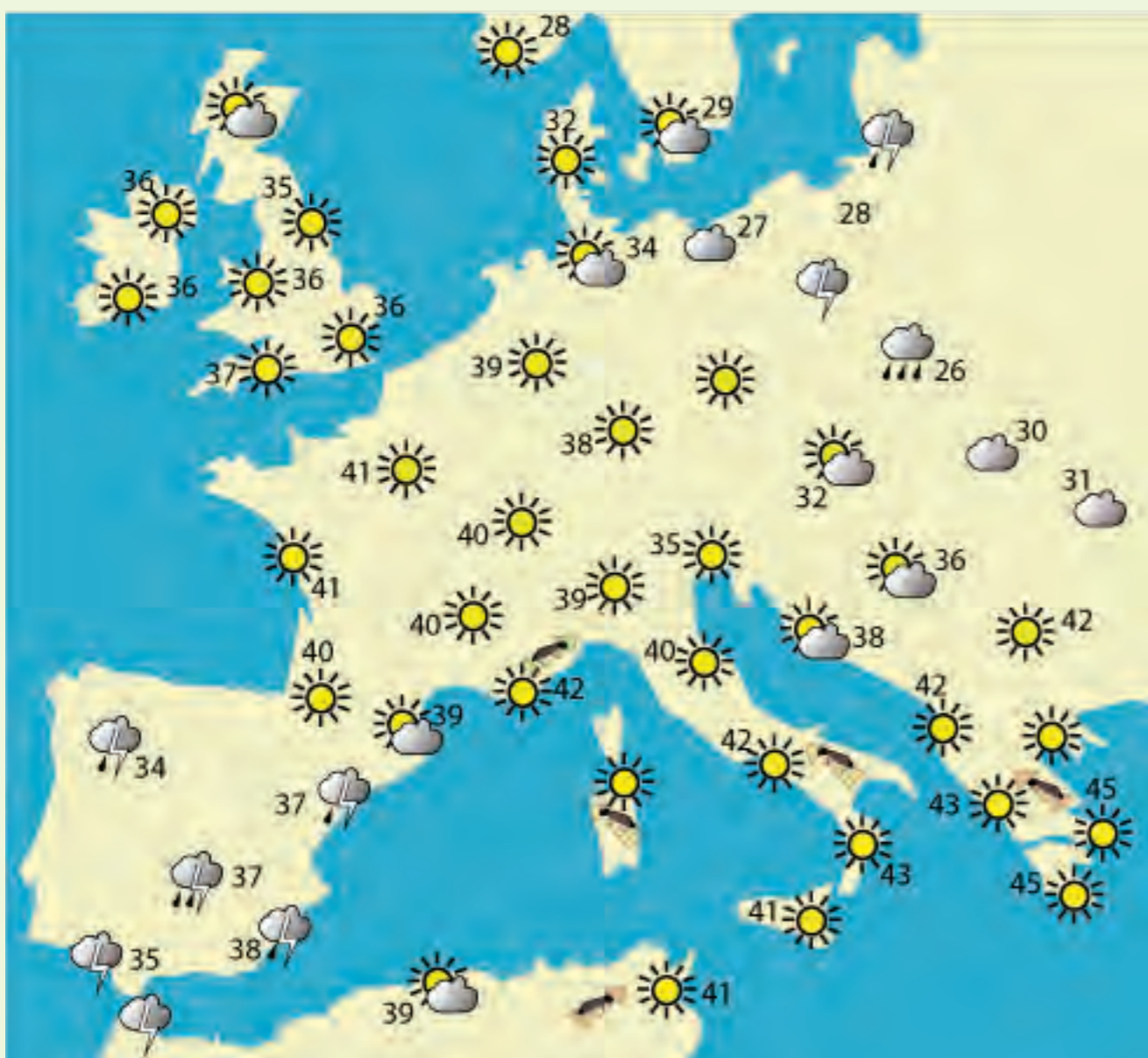
With acknowledgment to Sue Townsend

### RT SUSTAINABLE EMERGING MARKET DEAL OF THE YEAR?

Citigroup, HSBC, Standard Chartered, Mizuho, WestLB.

For bankrolling Yue Yuen from Hong Kong and Pou Chen from Taiwan. Yue Yuen is the largest (sport)shoe manufacturer on the planet, producing shoes for Nike, Adidas, Reebok, Puma in its giant production facilities in China, Indonesia and Vietnam. It has been associated with a constant stream of complaints on workers' rights violations, such as militaristic management style, sexual intimidation, compulsory overtime, undercutting minimum wages, unsafe working conditions, illegal contracts and intimidation and repression of trade unions.

### RT WEATHER GUIDE



#### Europe today

Temperatures remain exceptionally high, with Britain facing severe drought for the fifth consecutive week. France will be equally dry with all river beds running dry South of the line Nancy-Paris-Calais. Spain and Portugal will see unusually strong sand storms for time of the year. Elsewhere in Europe,

things will be unsettling with bird migration patterns severely disrupted and strong insect activity leading to malaria warnings in Southern Italy and Greece. Russia and Baltic regions will see hail storms and thunder followed by sustained showers.

#### Health warning today

Usual health precautions

apply throughout Europe. Children and persons with respiratory problems advised to stay indoors until evening.

#### Forecast 2050

Dutch coastline expected to retreat until Utrecht, with string of Dutch isles to extend along former coast. Thames estuary in England expected to extend to London City

airport. Italy Po delta, including Venice, to be submerged at -2m. Swiss and French Alps will see disappearing glaciers and Mediterranean winters, eliminating all snow related economic activity. North European permafrost area retreating to most Northern latitude in 12,000 year. Southern Spanish Costas and urban areas uninhabitable for lack of drinking water.



## A paper trail of errors

Uruguay's paper mills once more on hold

By Jorge Daniel Taillat

Last week, Tabaré Vasquez, the fledgling Uruguayan President, briskly walked into the World Bank President's office, rolled up his sleeves, pounded his fist on the table, and shouted; "For God sake, could we finally get moving... please... if not too much trouble of course... Sir..?". The issue at hand was the support of the International Finance Corporation for the deeply controversial Botnia and ENCE paper mills, situated along the Uruguay river bordering Argentina. Vasquez, who has taken a deep dip in popularity polls due to his weak performance to subdue Argentina's press against his support to the paper mills, knew that his political faith depended on whether the man in front of him would bow.

But Wolfowitz didn't blink, not even offered him coffee and cookies. Solemnly, he declared that the IFC would not move without certainty on environmental impacts (yes, a new one indeed!), in what seems to be a blow to the negligent behavior of the IFC respective to the botched compliance of environmental safeguards, cited en masse in a recent IFC commissioned report. That was it, after exchanging some face saving niceties on Uruguay's beaches Vasquez left, empty handed, fully aware that without the mans' support commercial banks like BBVA and Calyon will also think twice before diving in. Back home, he cried about the distasteful reception he received, and how he had

wanted to leave right away. What if he had?

All this because of a IFC report that concludes that key safeguards are missing in this project! At the Center for Human Rights and Environment we have lost track of how many consultant reports to try to convince everyone that these mills should be built. And now a 'new' IFC report suddenly concludes a bunch of things are missing. We took a deep breath when we read that. "Hello! We can't help reminding you but... we told you so!". Not only us, your own ombudsman told you so! the Argentine government told you so! about 50,000 protesting against the paper mills told you so! Should we go on? Why is it that only after having spent another 30,000 dollars on a redundant report, the World Bank finally believes what is obvious to so many?

Uruguayan officials in Washington, still waiting for cookies and coffee to arrive, are trying to figure out what the hell went wrong. Officials in Montevideo issued damage controlling statements in the press, emphasizing that indeed 'more studies are to be conducted... this is an ongoing learning process'. Too bad that the health, environment and livelihoods of 300,000 people are at stake because of this learning process. In any event, Uruguay seems to be dramatically running out of options to do much about securing World Bank (and linked to this, commercial bank) support for the project. No wonder the polls are falling for Vasquez.

As this comedy unfolded, across the Atlantic in Vienna, Presidents of Europe and Latin America came together to discuss European-Latin American trade and politics. When the distinguished Heads of State were lining up for the photo shoot, no-one else but the Parade Queen from Gualaguaychú (the Argentine affected community that has made this whole mess in the first place), who had come incognito as a press photographer dropped her cover and strutted before the bulging-eyed presidents in a very small bikini, carrying an anti-Papermill sign. A dazzled Argentine President looked around at his colleagues with a face pleading, 'really, it wasn't me!'. Vasquez was diplomatic about the whole affair and smirked, perhaps not so keen on having the paper mills after all.

Now the saga continues. Calyon of Crédit Agricole has recently stepped in to replace ING as potential financier for the Botnia paper mill. One wonders what drives a bank to put its entire hard won reputation as being 'environmentally aware' at such risk. The case has already gone to the Hague along with another 150 or so forums to which CEDHA has already filed a complaint, even where there are no complaint mechanisms to speak of!

We are now studying yet another complaint, this time against the Danish, for not providing the World Bank enough Danish biscuits to properly receive their guests!

www.cedha.org.ar



### SUSTAINABLE DEAL OF THE YEAR?

Citigroup, HSBC, Calyon, Deutsche Bank, Mizuho, WestLB.

Involved in the arrangement of a US\$ 1,250 million five-year revolving credit facility for Newmont mining of the United States, maturing in 2010. Newmont operates a gold mine in North Sulawesi (Indonesia). Between 1996 and 2004, it dumped more than 4 million tons of mine waste into Buyat Bay. Newmont now faces almost US\$ 80,000 in fines and one of its senior executives is threatened with up to 10 years prison in criminal lawsuits filed in Indonesia.