

**Letter to His Excellency Rafael Correa Delgado, President of Ecuador
Concerning Violations of International Good Practice and the Equator Principles in the
Proposed Petrobras Oil Development in Block 31 and Yasuni National Park**

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Doctor Rafael Correa Delgado
Presidente Consitucional de la Republica
Garcia Moreno 1043
Quito, Ecuador

Dear President Correa,

We are writing to alert you of serious violations of widely accepted international standards and good practice in environmental and social assessment with respect to the proposed project of Petrobras to develop petroleum in Ecuador's Block 31. Most of Block 31 lies in Yasuni National Park, the crown jewel of the Ecuadorian mainland national park system, an area of unique biological and scientific importance, a critical homeland for vulnerable indigenous peoples. We praise you for your announcement in a nation-wide radio broadcast February 3 that the government would suspend the contracts of oil companies that needlessly damage Ecuador's environment.

Our research indicates that a number of leading international banks and investment companies are involved in providing various forms of financial support for the Petrobras development of Block 31. To alert these financial institutions, we have prepared the attached "Investor's Brief"

which details the violations of accepted international good practice and of the "Equator Principles" in the current project proposal and environmental assessment. The "Equator Principles" are a voluntary commitment of the world's leading international private banks not to finance large projects in the developing world if they do not meet key environmental and social standards of the private sector arm of the World Bank, the International Finance Corporation (IFC). To date, some 46 leading international banks accounting for over 90% of global project finance have declared their adherence to the financing guidelines of the Equator Principles

The attached "Investors' Brief" points out the considerable environmental and social risk that the current Petrobras project poses, and identifies in technical detail numerous, serious violations of the Equator Principles and World Bank IFC Environmental and Social Performance Standards. . Some banks have committed to apply the Equator Principles to any project where their financial support can be identified, others follow a more narrow definition of applying the Equator Principles only to a traditional project finance structure. For purposes of our analysis, the Equator Principles represent a standard of international good practice based on the World Bank/IFC which should be a prerequisite before going ahead with environmentally risky project investments. We believe our analysis shows that the project in its current form is replete with violations of accepted international good practice in the environmental assessment and mitigation of large, ecologically and socially risky projects.

In July, 2005 the Ecuadorian Government denied a permit for Petrobras to proceed with plans to build a road into Yasuni National Park, as well as construct two drilling platforms, a major Central Processing Facility, flowlines, an oil pipeline and other infrastructure—all within the core area of both an internationally designated UNESCO Biosphere Reserve and the traditional lands of the Waorani, Tagaeri and Taromenane indigenous people. The latter two groups are the last two tribes in the Ecuadorian Amazon living in voluntary isolation from the outside world in the recently legally established (January 3, 2007) "Zona Intangible" (Untouchable Zone) directly adjacent to the southern boundary of Block 31. Petrobras submitted a revised plan and environmental assessment for the project in September, 2006. The September 2006 proposal and Environmental Assessment (EA),^{*} while eliminating the road proposal within the park, and relocating the processing facility just outside the park boundaries, still present major, unacceptable environmental and social risks which clearly and flagrantly violate major provisions of the Equator Principles.

The current project and EA currently violate major substantive requirements of Equator Principle (EP) 3, Applicable Social and Environmental Standards; EP 5: Consultation and Disclosure, particularly specific and detailed requirements for consultation with indigenous peoples; EP 6: Grievance Mechanism; and EP 7, Independent Review.

Of particular concern is the fact that the EA explicitly acknowledges that there is a substantial, "probable" risk that Kawymeno and Kichwa indigenous communities affected by the project will engage in physical protests and interventions that would include "impeding the realization of any type of work or circulation of personnel, including damaging installations..." and "paralyz[ing] the activities of the Company."[†] The project authorities to date have rejected a number of feasible alternatives that would mitigate such risks, alternatives proposed, inter alia, by an

^{*} Proyecto de Desarrollo y Produccion del Bloque 31, Campo Apaika Nenke, Estudio de Impacto y Plan de Manejo Ambiental, Preparado para Petrobras, Preparado por Entrix, Quito-Ecuador, Proyecto 1109803, Septiembre 2006..

[†] EA, p. 5-32.

international alliance of 43 Scientists Concerned for Yasuni in Ecuador, Latin America, North America, and Europe.*

The EA points to the likely effect of the oil development in the northern part of Block 31 unleashing, and contributing to, a cumulative process of increasing outside pressure on groups living in voluntary isolation in the Zona Intangible and southern parts of Yasuni Park, such as the Tagaeri and Taromenane. It cites the risk that, if not from the current project, other projects it will facilitate, "possible encounters between workers and these groups could result in massacres and attacks." "In summary," it concludes, "more intense processes of pressure over the untouchable zone could render more acute cycles of internal and external [tribal] war...The worsening of cycles of violence could have irremediable and very grave consequences for these peoples. On the one side, forced contact and dependency with national society; on the other hand, a serious threat of extermination."[†] But the EA and management plans dismiss any effort to address or even further analyze these impacts as beyond their scope, for example, a regional environmental assessment that would examine as a whole the cumulative impacts of proposed oil development that the Petrobras project would unleash.

We believe that any oil development in Block 31 is unacceptable, given that it is taking place in a National Park which is the core area of a UNESCO Biosphere Reserve and is adjacent to territories for indigenous peoples living in voluntary isolation which have been decreed to be untouchable. Until the social and environmental risks outlined in the "Investors' Brief" and attached documents are addressed, we strongly believe that no responsible international financial institution should provide support for this project in its current form. To avoid needless ecological destruction and potentially tragic social conflict with vulnerable indigenous groups, the current proposal requires at the very least independent evaluation of feasible alternatives, major design changes, the informed prior consent of affected indigenous populations, and a regional EA that would examine cumulative impacts and their mitigation. We hope that you and your government find this information useful. Thank you very much for your attention.

Sincerely,

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* Scientists Concerned for Yasuni, Comments to Project for Development and Production of Block 31: the Apaika and Nenke Oil Fields, Quito, 30 September 2006.

[†] EA, p. 6-53.

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