

**To:**

PATRICK MWEHEIRE,  
CEO, STANBIC UGANDA  
SIM TSHABALALA  
CEO, STANDARD BANK  
MAKOTO TAKASHIMA  
CEO, SUMITOMO MITSUI BANKING CORPORATION

**CARBON COPY:**

EMILY ADAIR  
GROUP SUSTAINABILITY MANAGEMENT, STANDARD BANK  
HARUHIKO TAKAHASHI  
VICE PRESIDENT ENVIRONMENT ANALYSIS DEPARTMENT, SUMITOMO MITSUI BANKING CORPORATION

**SUBJECT:**

YOUR BANK'S ROLE IN ARRANGING FINANCE FOR THE EAST AFRICA CRUDE OIL PIPELINE.

28 MAY 2019

Dear Mr Tshabala,

We are writing to you to raise significant concerns regarding the role of **Sumitomo Mitsui** and **Stanbic Bank Uganda** as lead arrangers for the financing of the East African Crude Oil Pipeline (EACOP), the proposed 1,445-kilometer heated oil pipeline from Hoima in Uganda to Tanga in Tanzania. These concerns include the pipeline's climate impacts, which have not been properly quantified but are expected to be severe; the risks to local people from large scale land acquisition and resettlement; the risks to freshwater supplies and to livelihoods of people living along the pipeline corridor; and the threats to biodiversity in the region, including endangered animals. We also wish to alert you to the dangerous political climate in which EACOP would be developed: human rights defenders and journalists expressing criticism of the project and associated facilities face harassment and threats of retaliation in both Uganda and Tanzania.

We are concerned that vital documents including the Environmental and Social Impact Assessment (ESIA), land acquisition and resettlement plan, and oil spill contingency plan have not been published in full, and there has not been an open, accessible, public and meaningful consultation and consent process.

Given these omissions and the gravity of project risks, it is apparent that compliance with national laws, international human rights standards and the Equator Principles and IFC Performance Standards will be extremely challenging if not impossible, especially in these high-risk environments. Moreover, further expansion of the fossil fuel industry, including the construction of new oil pipelines, and related oil infrastructure is incompatible with the goals of the Paris Climate Agreement,<sup>1</sup> and blatantly irresponsible at a time when the disastrous impacts of global warming are becoming increasingly clear.

We present further details about the project's risks below.

## **1. FOSSIL FUEL EXPANSION IS INCOMPATIBLE WITH THE GOALS OF THE PARIS AGREEMENT**

The oil, gas, and coal reserves in existing fields and mines across the world already far exceed what can be burned if we are to limit average global temperature rises to below two degrees Celsius. The reserves in currently operating oil and gas fields alone, even with no coal, would take the world beyond 1.5°C, the lower limit the world agreed to aim for at the 2015 UN Climate Summit in Paris. This means that, simply put, to

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<sup>1</sup> 'World has no capacity to absorb new fossil fuel plants, warns IEA', [The Guardian](#), November 2018



achieve the goals of the Paris agreement, fossil fuel expansion must stop. There is simply no room for new fossil fuel pipelines like EACOP.<sup>2</sup>

The climate impacts of the pipeline, including associated oil extraction and combustion, have not been properly quantified. However, the kind of ‘heavy oil’ to be carried by the EACOP pipeline is associated with greenhouse gas emissions 50% higher than standard ‘light’ crude.<sup>3</sup> In addition, the pipeline needs to be constantly heated to over 50°C across its 1,445 kilometres length to ensure this heavy oil flows through the pipeline.

The EACOP pipeline will carry 216,000 barrels of crude oil per day at ‘plateau production’ according to the project’s website. According to our calculations this oil is likely to result in CO2 emissions of over 33 million tonnes each year, significantly greater than the combined emissions of Uganda and Tanzania.<sup>4</sup>

## 2. HUMAN RIGHTS RISKS FROM LARGE SCALE LAND ACQUISITION AND DISPLACEMENT

The pipeline route traverses a number of heavily populated districts in both Uganda and Tanzania, and large-scale land acquisition and resettlement is expected as a result of pipeline construction and associated oil extraction and infrastructure, on both a temporary and permanent basis.

The resettlement policy framework of the Tanzania section of the pipeline acknowledges that both physical and economic displacement are unavoidable and estimates that between 9,500 and 14,500 farms will be affected by construction. Risks to livelihoods and economic displacement are described further in the next section.

In recognition of the severe adverse impacts of displacement, including the risks of impoverishment, the IFC Performance Standards prescribe that displacement should be avoided and minimized to the extent possible. When displacement is unavoidable, risks to affected people should be mitigated through replacement land, compensation for lost assets at replacement cost, resettlement support and a range of other measures to, at minimum, restore the livelihoods and living standards of affected persons. Such measures must be designed and implemented with appropriate disclosure of information, consultation and informed participation of those affected.<sup>5</sup> Previous land acquisition practices in Uganda and Tanzania have failed to meet these standards, including due to, *inter alia*, the payment of inadequate compensation, lack of information disclosure and a disregard for the legitimate land rights of affected people.

Indeed, these violations of IFC Performance Standards and human rights have already occurred in relation to the construction of infrastructure that will support both the EACOP and associated oil extraction facilities. Over 7,000 people of 13 villages were displaced for the construction of an oil refinery and an airport for the transport of oil equipment, without adequate compensation.<sup>6</sup> Families who chose to be compensated with land and housing were displaced to resettlement villages where they are unable to keep livestock or grow crops due to the distance from their lands and dense housing construction at the new site. Families who chose to receive cash compensation instead of replacement housing report that they were compensated based on outdated rates, which were insufficient to purchase replacement land. The record of failure to provide adequate compensation by project implementers is longstanding: for example, at times Tullow Oil had upwards of 200 outstanding claims for compensation on its exploration land.<sup>7</sup>

Issues regarding resettlement and compensation are sensitive in both Uganda and Tanzania for several reasons. Most land in Uganda and Tanzania is under customary tenure, and although formal registration of

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<sup>2</sup> Oil Change International (September 2016) [The Sky's Limit](#)

<sup>3</sup> Adam R Brandt et al. (December 2017) [Climate-wise choices in a world of oil abundance](#)

<sup>4</sup> The IPCC gives a figure of 420kg of CO2 arising the combustion of a typical barrel of crude oil. 216,000 barrels a day at 420kg a barrel equates to over 33 million tonnes. IPPC source: 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

<sup>5</sup> [IFC Performance Standard](#) (January 2012) IFC Performance Standard 5 Land Acquisition and Involuntary Resettlement

<sup>6</sup> This Place (August 2018) [“Marked for demolition? Ugandans on pipeline route fear land”](#)

<sup>7</sup> ActionAid (July 2013) [Business, Human Rights, and Uganda’s Oil, Part 1](#)



customary landholdings is possible, it is a complicated process due to costs, bureaucracy and high illiteracy rates, The requirement for Free Prior and Informed Consent (FPIC) for any impacts on Indigenous Peoples' lands and natural resources under international human rights standards and IFC Performance Standards is further complicated by the fact that neither country's government officially recognises its Indigenous Peoples.

Civil society in both Uganda and Tanzania have also voiced concerns about their ability to speak freely about the pipeline and other oil-related projects. In both countries, human rights defenders and journalists engaging with extractive industries experience harassments, threats and unlawful arrests. In Uganda, this particularly applies to people criticising the oil industry.<sup>8</sup> Even with the best intentions of project implementers, this climate of intimidation makes lawful and human rights-compliant land acquisition and resettlement processes very challenging, if not impossible.

### **3. THREATS TO WATER AND LIVELIHOODS**

The pipeline threatens many current sources of livelihoods in Uganda and Tanzania. The risks to livelihood sources, should they manifest, could lead to economic displacement of a vast magnitude.

The construction and operation of the pipeline will have serious implications for the agriculture, tourism and fishing sector due to contamination and land acquisition. Both Uganda and Tanzania are heavily dependent on agriculture and tourism.<sup>9</sup> 75% of the land affected by the pipeline in the Tanzania section is cultivated with crops. As already noted above, between 9,500 and 14,500 farms in this section are likely to be affected by construction. Some of these areas already have a land shortage-problem.<sup>10</sup>

Extraction at the oil fields in Albertine Graben will also jeopardize the Murchison Falls National Park, which is important for tourism as Uganda's second most visited national park. In addition, the mangroves at the coast of Tanzania which the pipeline puts at risk support approximately 150,000 people, in addition to the ecological services they provide.<sup>11</sup> The 300 permanent jobs the pipeline is expected to create will not compensate for the loss of jobs in agriculture, tourism and mangroves.

Nearly a third of the planned pipeline (460 kilometers) will be constructed in the basin of Africa's largest lake, Lake Victoria. More than 30 million people depend on Lake Victoria for water and food production.<sup>12</sup> The pipeline also crosses several rivers and streams that flow into the lake, including the Kagera River. Possible spills from the pipeline due to bad maintenance, accidents, third-party interference or natural disasters, risk fresh water pollution and degradation in this area - a likelihood that is even greater since the area around Lake Victoria is an active seismic area.

In an analysis of 'plausible scenarios' flowing from the construction of EACOP, risk management consultants Assaye Risk have warned of a risk that "local community benefits promised by both governments are not delivered across all communities", and that land acquisition "leads to the loss of employment and livelihoods for those communities." Under this scenario, civil unrest could result, as seen in other pipeline construction projects around the world including the Trans Mountain Pipeline in Canada and the Trans-Adriatic Pipeline (TAP) between Greece and Italy, which would create additional human rights risks in addition to disrupting the pipeline and creating reputational damage for the companies, governments and banks involved.<sup>13</sup>

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<sup>8</sup> Defend Defenfors (December 2012) [Only the Brave Talk About Oil](#).

<sup>9</sup> In Uganda agriculture and tourism accounted for respectively 28.2%<sup>1</sup> and 7.3%<sup>2</sup> of the GDP in 2017. In the same year, in Tanzania agriculture contributed for 23.4% to the GDP and tourism 9.1% to the GDP (CIA World Factbook) In addition agriculture employs 71% and 66.9% of the workforce in respectively Uganda and Tanzania (WTTC).

<sup>10</sup> Total East Africa Midstream BV (2018) [Social and Resettlement Services for the East African Crude Oil Pipeline, Tanzanian Section](#)

<sup>11</sup> WWF and CSCO (2017) [Safeguarding people & nature in the East Africa crude oil pipeline project](#)

<sup>12</sup> Ibid

<sup>13</sup> Assaye Risk (June 2018) [East Africa Crude Oil Pipeline \(EACOP\) Cone of Plausibility Analysis](#)



#### 4. THREATS TO BIODIVERSITY AND NATURAL HABITATS

According to the non-technical summary ESIA for the Uganda section of the pipeline there are at least 13 species “of conservation importance” in the pipeline’s area of influence. The report also identified at least 10 plants of conservation importance at risk, six of which are on the IUCN Red List of Threatened Species<sup>14</sup>. More than 500 square kilometers of habitat of African elephants, eastern chimpanzees and lions will be severely degraded by the construction of the pipeline. The eastern chimpanzee is considered ‘endangered’ by IUCN and has already disappeared in some African countries.<sup>15</sup>

In Tanzania alone, the pipeline corridor will traverse seven forest reserves, two game reserves, two game-controlled areas and one open area that supports wildlife management, covering a total length of 295 kilometers.<sup>16</sup> The pipeline will impact at least four forest reserves in its Uganda section, as well as several sacred natural sites,<sup>17</sup> and will cross 32 kilometers of the Wembere Steppe in Tanzania, a Key Biodiversity Area.

A large proportion of the oil that will be transported through the pipeline will be extracted in Uganda’s Murchison Falls National Park, Uganda’s largest national park and an IUCN category II protected area.<sup>18</sup> At least 31 oil wells (40% of Uganda’s total wells) lie in this national park. The Murchison Falls Protected Area is a savannah ecosystem, which is rich in biodiversity and home to several endangered species of mammals, birds and plants.<sup>19</sup> In this regard, we recall IUCN (2016) resolution that “urges companies, public sector bodies, financial institutions (including development banks), relevant certification bodies and relevant industry groups not to conduct, invest in or fund environmentally damaging industrial activities and infrastructure development within, or that negatively impact protected areas or any areas of particular importance for biodiversity and ecosystem services that are identified by governments as essential to achieving the Aichi Biodiversity Targets, and to make public commitments to this effect”.<sup>20</sup>

Potential oil spills from EACOP will also threaten two Ecologically or Biologically Significant Marine Areas (EBSAs) that are essential for the healthy functioning of the oceans: Pemba-Shimoni-Kisite and Tanga Coelacanth, which border the port of Tanga in Tanzania. The area is rich with mangroves and coral reefs and hosts several Marine Protection Areas and Mangrove Forest Reserves. Mangroves are a habitat for many marine organisms and migratory birds, and help maintain water quality by filtering pollutants as well as stabilizing shorelines against hurricanes and flooding. But they are also extremely vulnerable: crude oil spills can potentially destroy mangrove ecosystems completely.<sup>21</sup>

Further, the debt that the government of Uganda is expected to incur from the project risks undermining conservation efforts. The EACOP will require a recoverable financing of \$3.5 billion. The evidence available indicates that the government of Uganda, which is already indebted to a tune of over \$13 billion, will provide guarantees to lenders. As the oil sector competes for funds with bodies such as National Environment Management Authority (NEMA) National Forestry Authority (NFA), the Uganda Wildlife Authority (UWA), this is likely to negatively impact on conservation efforts.

**To conclude**, we consider this project to present unacceptable risks to local people through physical displacement and threats to incomes and livelihoods; unacceptable risks to water, biodiversity and natural habitats; as well as representing a new source of carbon emissions the planet can ill afford. As such we urge your institution not to proceed with financing this project, but to seek opportunities instead to finance

<sup>14</sup> Total East Africa Midstream BV (2019) [Environmental and Social Impact Assessment Report Summary Uganda Section](#)

<sup>15</sup> WWF and CSCO (2017) [Safeguarding people & nature in the East Africa crude oil pipeline project](#)

<sup>16</sup> Total East Africa Midstream BV (2018) [Social and Resettlement Services for the East African Crude Oil Pipeline, Tanzanian Section](#)

<sup>17</sup> IUCN NL (April 2019) Film: “These sacred natural sites for us we believe that they shouldn’t be compensated they should remain there because they are things which are natural, it is a natural thing”

<sup>18</sup> ActionAid (July 2013) [Business, Human Rights, and Uganda’s Oil, Part 1](#)

<sup>19</sup> (January 2015) [Biodiversity surveys of Murchison Falls Protected Area](#)

<sup>20</sup> IUCN (2016) WCC-2016-Rec-102-EN [Protected areas and other areas important for biodiversity in relation to environmentally damaging industrial activities and infrastructure development](#)

<sup>21</sup> WWF and CSCO (2017) [Safeguarding people & nature in the East Africa crude oil pipeline project](#)



genuine renewable infrastructure to help meet the region's energy needs in a clean and rights-compatible manner in the decades to come.

We would welcome the opportunity to discuss these matters further, and we look forward to receiving a response from you by **20<sup>th</sup> June 2019**. Please contact Ryan Brightwell, Human Rights Campaign Coordinator, BankTrack with your response. (email: [ryan@banktrack.org](mailto:ryan@banktrack.org)).

Signed:

**African organizations**

350.org Africa – South Africa  
Abibiman Foundation – Ghana  
Action Coalition on Climate Change (ACCC) - Uganda  
Africa Institute for Energy Governance (AFIEGO) – Uganda  
Alerte Congolaise pour l'Environnement et les Droits de l'Homme (ACEDH) – DRC  
Buliisa Initiative for Rural Development Organisation (BIRUDO)- Uganda  
Centre d'Education pour la Protection de l'Environnement et le Développement Durable - CEPED – DRC  
Center for Citizen Conservation – Uganda  
Centre de Recherche sur l'Environnement, la Démocratie et les Droits de l'homme (CREDDHO) – DRC  
Citizens Concern Africa (CICOA) – Uganda  
Fédération des comités des pêcheurs individuels du lac Edouard (FECOPEILE) – DRC  
Fund our Future – South Africa  
Guild Presidents' Forum on Governance - Uganda  
Innovation for the Development and Protection of the Environment (IDPE)  
Jamaa Resource Initiatives (JRI) – Kenya  
National Association of Professional Environmentalists (NAPE) – Uganda  
Observatoire d'Etudes et d'Appui à la Responsabilité Sociale et Environnementale ( OEARSE) - DRC  
South Western Institute for Policy and Advocacy (SOWIPA) - Uganda  
The Environmental Conservation Trust of Uganda (ECOTRUST) – Uganda  
World Voices Uganda - Uganda

**International organisations**

BankTrack – Netherlands  
Core Coalition – United Kingdom  
Friends of the Siberian Forests – Russia  
Inclusive Development International - United States  
Global Witness – United Kingdom  
National Lawyers Guild International Committee – United States  
Sherpa - France  
Oil Change International – United States  
Snow Alliance - China  
Urgewald – Germany

