

A primer for shareholders concerned about
rainforest protection and human rights

SUMMER 2019



Deforestation Skyrocketing

In the first half of 2019, the destruction of the Amazon's irreplaceable ecosystems reached an alarming pace. From [record deforestation](#) in the Brazilian Amazon to spiking forest loss in [Colombia](#) and [Peru](#), the biome is increasingly under siege by both industrial actors and organized crime.

In Brazil, 95% of all deforestation in the last three months was illegal, driven mainly by loggers and land grabbers facilitated by the Bolsonaro government's tolerance toward lawbreaking and impunity. Meanwhile, cattle ranching and illegal mining are ravaging Colombian and

Peruvian forests. Such [unchecked development](#), enabled by politicians who collaborate with or turn a blind eye to actors driving illegal deforestation, portends dire consequences for the future of the Amazon and of global climate stability.

In this context, the role of investors concerned with human rights and climate risk is more critical than ever: shareholders can hold corporations accountable for their actions and move their money out of companies that continue to run roughshod over indigenous rights and ignore deforestation and climate change risks.

We offer the Investor Eye on the Amazon to provide context on the key sectors and companies responsible for causing deforestation in the Amazon, and with the hope of spurring investors to use their power to protect this critical biome and our collective future.

Oil in the Amazon



Indigenous Victories in Ecuador

During May 2019, the long-simmering conflict between indigenous rights and the expansion of the fossil fuel frontier in Ecuador's Amazon boiled over, underscoring the risks of rainforest oil drilling. More than 1,500 indigenous people from the Napo Province shut down 36 production wells in the Block 21 concession for five days and blocked a major highway. Joined by the powerful national indigenous confederation, CONAIE, they demanded that the government perform an environmental audit, clean up twenty years' worth of contamination, and cancel new expansion plans. With a state of emergency in place and the protests swelling, the government agreed to meet all of [the communities' demands](#).

This comes on the heels of a government decision to [shelve](#) plans to tender two controversial oil blocks along the Ecuador-Peru border, citing community opposition from the Shiwiar, Kichwa, and Sapara indigenous nations, whose lands the 400,000-hectare concessions

overlap. Both governments have been developing plans to share infrastructure along the border to extract crude from remote wells in Ecuador and utilize the under-capacity pipeline in northern Peru.

This was not the first delay for the Ecuadorian government: it had already been forced to decrease the number of blocks set to be tendered from sixteen to two after communities rallied to reject the planned auctions. Together, these delays illustrate government recognition that the country currently lacks a legitimate process for obtaining consent from indigenous peoples.



Manufactured Consent: New Legal Victory Creates Indigenous Rights Precedent in Ecuador

On April 26th, the Waorani, an indigenous nation in Ecuador's Amazon, won a landmark decision from the Provincial Court of the Pastaza. The court found that the government failed to properly consult the Waorani over drilling plans slated for their territory, violating their right to autonomy and self-determination.

The government had long maintained that it had properly conducted a consultation process with all indigenous nationalities that would be affected by the Ronda Suroriente, an oil tender that would impact six different nationalities and over 8 million acres of intact rainforest. However, the Waorani challenged the government's claim, and they provided evidence demonstrating that the "consultation" process was little more than a PowerPoint presentation conducted with an unrepresentative group of individuals and not in their native language.

Although the government is appealing the decision, it has exposed the Ecuadorian government's attempts to impose extractive industry projects upon indigenous peoples using

weak or non-existent human rights standards and no legislative guidelines for the consultation process. This ruling aligns with the 2018 report from the UN Special Rapporteur on Indigenous Peoples who, after a fact-finding mission to Ecuador, stated that there were, "no adequate enabling mechanisms or processes which allow indigenous peoples to exercise [the] right" to Free, Prior, Informed Consent (FPIC).

The Waorani case has major implications for all of the other indigenous nationalities in the Ecuadorian Amazon potentially affected by the Ronda Suroriente, as well as other indigenous nationalities who have had their [right to consultation](#) violated. The case may well force the government to finally adopt national policy and binding guidelines on FPIC. Until then, project and reputational risk remain for companies operating in Ecuador's oil patch.



Opposition Grows to GeoPark's Peru Plans

Chile-based GeoPark is the latest oil company to attempt entry into Block 64, located in the northern Peruvian Amazon. As in past cases, the Achuar federation FENAP – representing 45 communities – has expressed uncompromising opposition to any oil activities in their ancestral territory.

Based on extensive critical feedback from the Achuar and others, Peruvian authorities delayed their review of GeoPark's environmental impact study. In June 2019, shortly before Achuar and Wampis leaders were scheduled to meet with the regulators, GeoPark [announced its withdrawal](#) of the study to be able to add more information. Though this is an important short-term victory, the work is not yet over.

Later in June, a delegation of nine community leaders from the Achuar and neighboring Wampis peoples traveled to Santiago, Chile, along with Amazon Watch Advocacy Director Andrew Miller and other advisors, to confront GeoPark senior managers at their 2019 annual shareholder meeting. The delegation successfully secured a meeting with CEO James Park and other executives, during which the indigenous representatives [repeatedly expressed their](#)

rejection of any oil activities within their ancestral territories. In response, CEO Park and other company functionaries requested further dialogue to "understand and learn from" the community concerns. The delegates rejected this proposal, insisting that GeoPark communicate their next steps in writing – ideally an announcement of their definitive withdrawal from Block 64 – through their legal advisors.



Chevron: Corporate Bully

A new coalition of human rights, free speech, and environmental organizations, including Greenpeace, Amnesty International, Human Rights Watch, Natural Resources Defense Council, and the ACLU, named Chevron the "Corporate Bully of the Year" for its SLAPP attacks and other legal bullying tactics against individuals who have spoken out about the oil giant's toxic contamination in the Ecuadorian Amazon.

Chevron continues to face growing shareholder pressure regarding its many environmental and human rights issues. This year, five different resolutions supported by shareholders representing billions of dollars in assets under management urged the company to address

these issues. Yet Michael Wirth, now in his second year as CEO, has yet to shift away from Chevron's harmful practices and efforts to silence those critical of its operations and abuses.

This year, Chevron also faced three climate-related resolutions, including one that called on the company to outline how it will reduce its carbon footprint in line with the Paris Climate Agreement. Chevron recently committed to reducing its operations' carbon intensity by less than 1% of its 2016 total emissions over the next seven years. This is nowhere near what is needed for the company to fall in line with the goals of the Agreement.



The Role of China and the United States in Amazon Oil Drilling

The world is increasingly interconnected and these ties extend, as they have historically, to resource extraction in Ecuador and other Amazonian countries. In recent years, China has drastically [increased its lending and foreign direct investment](#) in the region, with a focus on agricultural and extractive commodities.

In Ecuador, billions of dollars of this financing has come in the form of [loans for oil](#). This means that China lends money to Ecuador in exchange for receiving its most lucrative export commodity: crude oil.

Only a small portion of this oil ultimately reaches the Chinese market: about [63% of oil exports](#) from Ecuador are ultimately purchased by oil refineries in the United States, [largely ones located in California](#). And a significant portion of the refined oil, [over 1 billion USD in value](#), ultimately returns to the Ecuadorian market.

Investing in Amazon Destruction



Brazil: Complicity in Destruction

Under the Bolsonaro regime, agribusiness and extractive industry are driving the most severe assault on Brazil's social and environmental protections in 30 years. The Amazon and its indigenous inhabitants are bearing the brunt of these rollbacks, which seek to open Brazil's vast network of protected areas to industrial exploitation.

By financing destructive development and sourcing agricultural commodities from producers responsible for rainforest destruction and rights abuses, international financiers, commodity traders, and importers play an important role in Brazil's recent surge in deforestation. Their patronage also sends the clear message that further forest felling and policy regressions will be rewarded.

Amazon Watch is responding to this context, alongside our allies in Brazil's National Indigenous Movement, by leveraging the influence of global markets to shift the Bolsonaro

government's destructive agenda and deter mounting threats to the Amazon rainforest. In April, we launched the [Complicity in Destruction II](#) report detailing how firms that fuel the destruction of the Brazilian Amazon under Bolsonaro openly trade with and receive financing from a range of companies and major investors in Europe and North America, including BNP Paribas, JPMorgan Chase, Barclays, HSBC, Bank of America and Santander, BlackRock, Vanguard, Fidelity, State Street, and State Farm.

Using public Brazilian law enforcement data, our findings show that a range of global companies trading or financing high-risk forest commodities such as soy, beef, and timber are complicit in a growing wave of criminal behavior in the Amazon since 2017. A number of [FSC-certified](#) European timber companies are implicated in these activities, as are the leading private banks and asset managers cited above.

How Brazil's beef trade benefits from global financial flows: the case of JBS

Up to 80% of deforestation in the Brazilian Amazon can be attributed to the cattle sector, while the encroachment of ranching in the region has driven an environmentally-devastating soy boom in the neighboring Cerrado [biome](#).

JBS is the largest animal protein company in the world. The company has a notorious history of corruption in Brazil, where its former CEO Wesley Batista and former chairman Joesley Batista have been linked to various bribery scandals, including the bribing of three Brazilian presidents and 1,829 other elected officials, the misappropriation of \$385 million in public funds, and insider trading. The Brazilian company was also recently shown to have handsomely [benefitted from Trump's farms bailout](#).

Despite its shady reputation and outsized environmental footprint, JBS receives significant underwriting from private banks such as Spain's Santander (\$589 million) and US-based JPMorgan Chase (\$388 million). Meanwhile, US asset managers BlackRock, Fidelity, and Vanguard are major shareholders in JBS.



BLACKROCK'S **BIG** PROBLEM

“

When BlackRock funnels investments to bad actors in Brazil, it is complicit in the destruction of tropical forests and violation of human rights.

LUIZ ELOY TERENA

LEGAL COUNSEL FOR THE NATIONAL INDIGENOUS ORGANIZATION OF BRAZIL (APIB) AND A MEMBER OF THE TERENA PEOPLE

BlackRock's Big Problem

The BlackRock's Big Problem campaign continues to build power to push the world's largest asset manager to start shifting investments and escalating engagement with the companies driving climate change, and the company and the press are taking notice.

The campaign's work – and BlackRock's climate inaction – has been covered by outlets like [The Guardian](#) and [Vice](#). Both articles underscore how BlackRock continues to drag its feet on meaningful action on climate despite positive rhetoric from senior leaders within the company.

[New analysis](#) from the campaign highlighted BlackRock's doublespeak on climate action. Among other findings, the ten "sustainable" equity exchange-traded funds (ETFs) BlackRock markets in the US collectively include over \$423 million in fossil fuel companies and over \$29 million in companies driving deforestation in the Global South, including the Amazon.

In late May, BlackRock held its annual shareholder meeting, presided over by CEO Larry Fink. Among the critiques Fink faced was that of Eloy Terena, an indigenous leader and legal

counsel of the National Organization of Indigenous Peoples of Brazil ([APIB](#)). "You bear responsibility for our future," Eloy told Fink, because BlackRock is one of the biggest investors in the agribusiness companies that are driving deforestation in the Brazilian Amazon and in Eloy's home in the Cerrado region, as revealed in the report [Complicity in Destruction II](#).

Yet Fink barely acknowledged Eloy's entire intervention, let alone respond to his direct request. Mr. Fink's skeptical view of real climate action was further clarified when he dodged other hard questions and passed the buck. For example, when challenged about the billions in assets that BlackRock owns in the fossil fuel industry driving climate change and the mounting evidence that fossil fuels are a [losing investment](#), Fink blamed his clients, alleging that they don't really want climate-friendly investments.

BlackRock's climate inaction is a Big Problem for the company and for the climate.



Equator Principles

In 2017, Amazon Watch joined dozens of other organizations as a member of the [Equator Banks Act!](#) campaign, a coalitional effort focused on ensuring that the 96 signatories to the Equator Principles respect indigenous communities' right to FPIC and stop financing climate disaster.

As a result of our campaigning, the Equator Principles Association committed to a revision process that would lead to the fourth version of the principles (EP4 for short). Nearly two years after the process began, the Association released a [draft version of EP4](#) in July 2019.

Unfortunately, this draft leaves much to be desired: it does not address the risks of catastrophic climate change beyond how these risks would impact the banks' bottom line nor prohibit Equator-compliant financing for climate disaster projects like new oil drilling projects, coal-fired- power plants, or pipelines.

To make matters worse, it still does not fully guarantee the right to FPIC for indigenous peoples impacted by these projects, instead viewing FPIC primarily as a "process" and not a fundamental right.

Along with others in the Equator Banks Act! Campaign, we continue working to ensure that banks hear from impacted communities and other members of civil society and that the revision ultimately yields concrete results that benefit people and planet.

Get in touch

If you are interested in learning more about Amazon Watch's campaigns and opportunities for shareholders and sustainable investors to engage with our advocacy efforts, please reach out to our Climate Justice Campaigner Zoë Cina-Sklar at zoe@amazonwatch.org.