Banking on Amazon Destruction

How European and U.S. banks fund the oil and gas industry despite environmental and social risks driving the Amazon over the brink
The solution is exclusion

An Amazon oil and gas exclusion framework

As of December 2020, not a single U.S. bank was willing to finance Arctic drilling. This resulted from years of pressure on shareholders, negotiations with banks, campaigns against banks, and efforts of several NGOs. Several European and international banks also have Arctic exclusions in their environmental and social risk frameworks, working for years to remove from their finance and (in some cases) investment portfolios all of the projects that no longer comply with bank policy. The geographic nature of the Arctic exclusions, as well as the climate change, biodiversity, and Indigenous rights rationale behind them, are an example and a broad roadmap for a similar commitment in the Amazon.

Additionally, while other fossil fuel exclusions tend towards unconventional oil and gas, the Arctic exclusions cover conventional and unconventional activities. The rationale for an Amazon Exclusion Policy is equally urgent and compelling. José Gregorio Díaz Mirabal, General Coordinator of the Coordinating Body of the Indigenous Organizations of the Amazon Basin (COICA) shared: “For centuries, the Indigenous peoples have been responsible for the preservation of the largest forest on the planet. We are being killed for defending our home. An Amazon biome-wide exclusion of all oil and gas finance and investment, aimed at stopping oil expansion in the most biodiverse place on the planet, will keep the Amazon Rainforest off the precipice of a disastrous ecological tipping point, eliminate toxic oil-related disasters, and end rights violations perpetrated by the industry. This is the path for a possible planet and the way for us to guarantee that our rights are respected. The financial sector must invest in recovering what has already been lost and finance the solutions our peoples offer to humanity in the climate change era.”
The Amazon biome

Like Arctic exclusions applied by banks, the Amazon biome (see Map 1) is not defined by political boundaries. The most commonly accepted definition uses hydrological, ecological, and biogeographical boundaries. The lowland Amazon Rainforest is the central subregion, comprising the total extent of the Amazon basin, including its historical extent. The other subregions have a strong direct or indirect influence on the basin.

The Amazon Exclusion also applies to the Foz do Amazonas and Para Maranhão basins—areas of offshore drilling at the mouth of the Amazon River. These are defined exploration and production (E&P) areas by the Brazilian National Petroleum Agency (ANP). While the scoreboard focused on the Amazonian areas of Ecuador, Peru, Brazil, and Colombia, the Amazon biome definition is an expansion that includes parts of Bolivia, and Venezuela, as well as Guyana, Suriname, and French Guiana.
Exit Strategy

It’s clear that this can’t happen overnight. Banks need to create and communicate exit strategies detailing their targets and timeline for full implementation of the exclusion. An exit strategy should include:

1. Immediate commitment (latest by end of 2021) to no new oil and gas financing and investment in the Amazon biome, in line with the recent announcement by the IEA, with Paris Climate Agreement targets, and with net zero by 2050 commitments and decarbonization trajectories.57

2. Existing trade finance exclusions for oil from the western Amazon should be immediately extended to the entire Amazon biome (by end of 2021) as part of the exclusion, and should be crafted to exclude crude oil and refined products that are exported out of key ports.

3. A commitment to exit all loans, letters of credit, and revolving credit facilities (RCFs) for all oil traders active in the Amazon biome as soon as contractually possible and no later than the end of 2024, especially those who have been implicated in corruption controversies.

4. A commitment to exiting all existing oil and gas financing and investment in the Amazon biome as soon as possible and no later than the end of 2025.

Coverage

For complete coverage, the exclusion should include all oil and gas activities including exploration, development, production, trade, transport (e.g. pipelines), general purpose financing (for oil traders), and any other supporting services dedicated to these activities. Additionally, all project, trade, and corporate financing activities, including syndicated loans to oil traders active in the biome, should be excluded. On the investment side, all equity and bonds held directly by the bank should be excluded. In addition, companies that have more than 5% revenue from oil and gas activities should be considered high risk in ESR frameworks and subject to annual reviews and transaction screenings. Companies holding any oil or gas reserves in the Amazon biome also should be considered high risk in ESR frameworks and subject to screenings on a transaction basis to ensure that any finance or investment activities by the bank are not related to Amazon oil and gas.

Connection to other policies

An Amazon-wide exclusion would complement other policies such as cross-sectoral policies on biodiversity and human rights, and extend the effectiveness of those policies in the Amazon. It would also complete existing oil and gas sector policies and exclusions that are currently not far-reaching enough, and contribute to climate targets of achieving net zero by 2050.
Waorani children hold hands on the bank of a river in the Ecuadorian Amazon. ©Amazon Watch
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— José Gregorio Díaz Mirabal, General Coordinator of COICA