

Citigroup: Amazon Oil Exposure Report

**Top Financier of State-Run Oil
Companies in the Amazon**



Citigroup: Funding Oil Expansion in the Last Place in the World it Should be Happening

For years, Citigroup has been playing a central role in funding oil drilling in the Amazon biome and is the **largest foreign bank providing funding for state-run oil companies in Ecuador, Peru, Colombia, and Brazil**. Citi's financing and investments have been linked to the risk of expanded oil drilling in some of the most biodiverse forests on the planet. These forests are home to millions of Indigenous Peoples whose rights have been violated and whose cultures are being threatened from ongoing pollution that poisons the waterways and air of their communities. This reality is incompatible with Citigroup's claims to value sustainability and runs counter to Citigroup's recent climate commitment¹. Furthermore, Citigroup's lax environmental

and social policies leave the door open for the continued degradation of a biome amidst a tipping point crisis and represent an ongoing reputational risk. **It is time for Citigroup to commit to an Amazon exclusion policy and exit strategy.**

Between 2016 and 2020, Citi provided an estimated \$43.8 billion USD worth of finance and investment to oil and gas companies operating in the Amazon basin, including the largest financial involvement with state-owned oil companies for a foreign bank over that period, totalling over \$6 billion USD.² Its clients include Petrobras (Brazil), EcoPetrol (Colombia), PetroAmazonas (Ecuador), and PetroPeru (Peru). This financing can be linked to the build-out of oil drilling projects and oil infrastructure development in critical forests and Indigenous territories.

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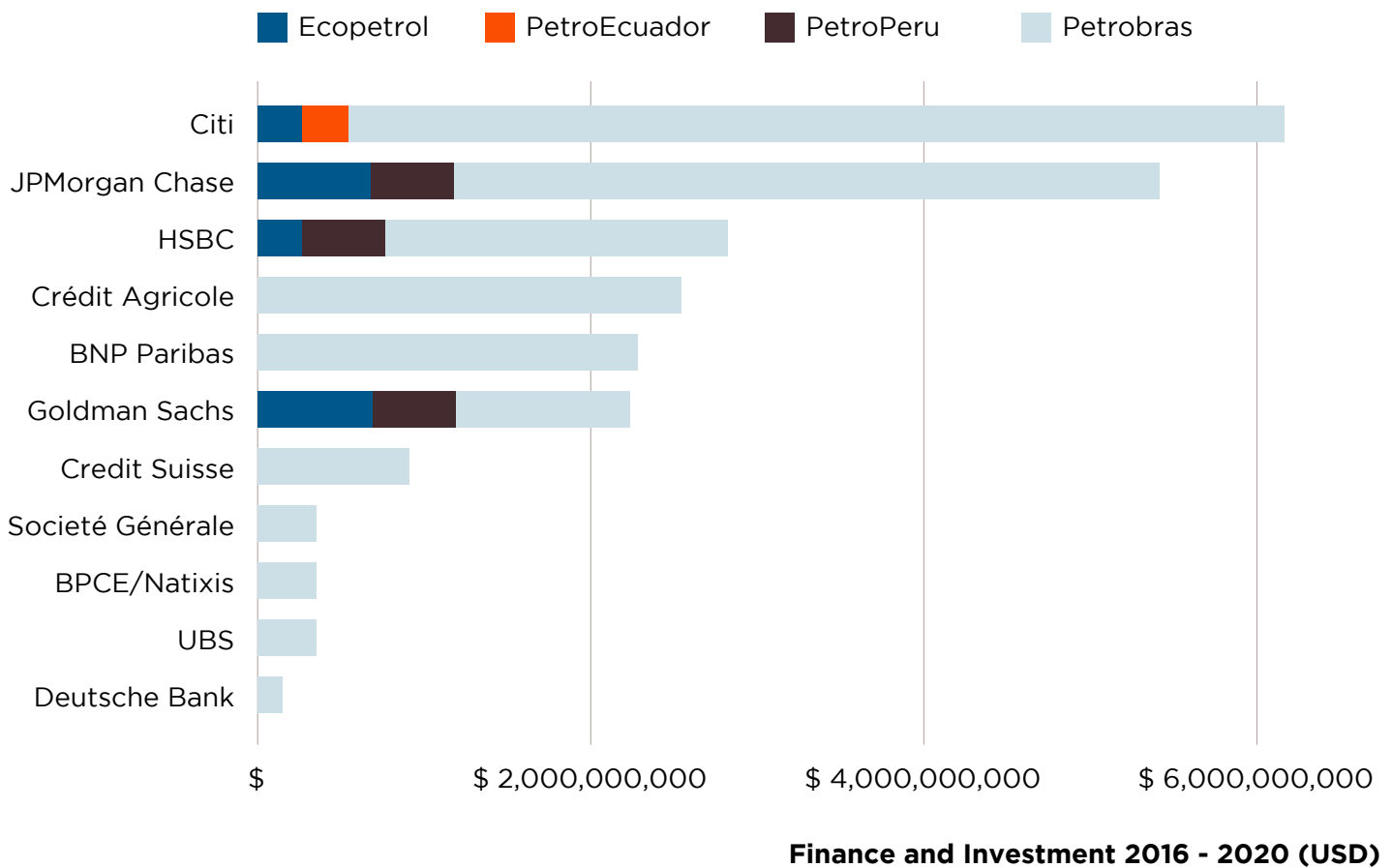


Figure 1. Citigroup’s role in raising capital for Amazon state oil enterprises. Adapted from RAN (2021). Note that since this data was tabulated, new bond underwriting and loan data has been identified for Citigroup in Ecuador and Peru that is not reflected in the RAN dataset.

Citigroup’s Policies - Banking on Amazon Destruction and Incompatible with Climate Goals

There is very little in Citigroup’s policies that curtail its risk of involvement in Amazon destruction. Citigroup lacks deforestation exclusions for oil and gas that could restrict the bank from involvement with clients linked to deforestation, loss of primary forests, and fragmentation of intact forest landscapes.³ It also does not adequately

address risks to biodiversity and lacks a definition of Free, Prior, and Informed Consent (FPIC) that upholds Indigenous communities’ right to give, modify, or withhold consent. Citi’s policies lack clear guidance on how it addresses companies that have track records of pollution and corruption. Additionally, the climate implications of these financial practices are incompatible with Citigroup’s recent climate commitments and the scientific mandate to keep global warming under 1.5° C – at a time when the International Energy Agency (IEA) is calling for an end to oil and gas expansion globally.⁴

A Spotlight on Ecuador: Citigroup Financing Oil Expansion in a Critical Region

Citigroup is one of the only U.S. banks that has been providing funding to PetroEcuador (formerly PetroAmazonas), the state oil company of Ecuador. Ecuador's president Guillermo Lasso has issued a decree that ushered in reforms aimed at doubling oil production; many of those expansion projects are slated for extraction in largely pristine and roadless Amazon rainforest. The country is currently expanding drilling in protected areas such as Yasuní National Park, building roads in intact forests, and in areas near Indigenous peoples living in voluntary isolation. **Oil concessions that span approximately 7.5 million acres or 3 million hectares (30,000 square kilometres) of rainforests are slated to be auctioned off this year.** To make matters worse, aging infrastructure, erosion, and poor pipeline right-of-way (ROW) decisions have contributed to oil spills like the [recent January pipeline rupture](#) and the April 2020 spill that affected [hundreds of thousands of Indigenous peoples in Ecuador](#). The country is averaging two spills per week⁵ and given the complicated topography of pipeline routes that cross dozens of seismic faultlines and face severe regressive erosion, devastating oil spills are likely to remain a persistent issue.

Citigroup at High Risk of Backing Drilling Campaign In Sensitive Areas

Citigroup has a long relationship with the government of Ecuador. Between 2014 and 2019, it was involved in 12 deals worth \$9.4 billion USD, with a 52.9% share of the capital markets platform in Ecuador – the highest of any foreign bank operating in the country at the time.⁶ The bank, by its own admission, is the leader in offerings of Ecuadorian issuers, meaning that it facilitates companies including PetroEcuador in raising capital via bond issuances to fund their operations.

In 2017, Citi was the sole book-runner on bond issues for PetroAmazonas worth \$300 million USD.⁷ The bank was also the sole advisor on bond issues for PetroAmazonas worth \$670.5 million USD that year. The capital raised from the latter was used to restructure accounts payable with respect to capital expenditures, which could include payments made to subcontractors involved in oil well drilling and other expansion activities.⁸

At the same time, a substantial amount of the capital available to PetroEcuador for oil expansion was flowing into Yasuní National Park. In 2016, oil production in the ITT (Block 43) in and around the park began with 23 new wells and by the end of 2017, production had increased 5-fold from 3 million barrels to over 16 million.⁹ The ITT was the only block operated by PetroEcuador to see any substantial increase in development in 2017. This was facilitated by the drilling of an additional 29 new wells in the block, or 40% of all



Barrels containing toxic chemicals at an oil spill site in the northern Peruvian Amazon in 2013. Petroperu, the company responsible for the spill, hired dozens of local Indigenous people in an attempt to make the evidence of the spill quickly disappear. The workers were given little or no protection, exposed to contamination, and asked to use toxic dispersants. ©Amazon Watch

The latest incursions have come within 1000 feet of the buffer zone demarcated to protect the Intangible area of the park, home to uncontacted Indigenous tribes living in voluntary isolation.

the wells drilled by the company in 2017, indicating that the ITT was an intense focus for investment.¹⁰

By 2019, the ITT was the highest oil-producing block for PetroEcuador with 139 wells and 80+ more planned in 2021 – 2022.¹¹

The latest incursions have come within 1000 feet of the buffer zone demarcated to protect the Intangible area of the park, home to uncontacted Indigenous tribes living in voluntary isolation.¹² Earlier drilling campaigns, such as those enabled by bond issuances in 2017, have paved the way for these latest developments, highlighting the risk that Citigroup is linked to a legacy of forest destruction.

Citigroup: A Spotlight in Peru

In Peru, Citigroup is participating in a [10-year, 1.3 billion USD syndicated loan](#) to the state-owned oil company PetroPeru for the modernization of the Talara Oil Refinery. In order to run the Talara Oil Refinery, PetroPeru is seeking to expand [oil operations](#) within the North Peruvian Amazon such as in Block 64, where the Indigenous Achuar and Wampis peoples live. For many years, these communities have strongly opposed any kind of oil drilling within their ancestral territory. However, despite the strong [opposition](#), Petroperu continues expanding its crude

oil sourcing. As another strategy to recover the investment put into the Talara Oil Refinery, Petroperu is seeking to import crude oil by partnering with oil companies in Ecuador. Ecuador is already a major source of imported crude, sending Peru an average of 11 million barrels of Amazon oil per year¹³. This oil expansion runs counter to the strong opposition from the Indigenous communities whose territories it is damaging.

Citigroup has also granted a bilateral loan to *Transportadora de Gas del Peru - TGP* (Gas Carrier of Peru). TGP is the concessionaire company responsible for the operation of the natural gas and natural gas liquid pipeline transportation system of Camisea - which has been implicated in ongoing threats to the cultures of Indigenous peoples living in voluntary isolation¹⁴. The TGP has also had conflicts with the rural communities of Chiquintirca and Ayacucho, where the pipeline crosses.



Photo: Evaristo Pujapat

“We have learned that Citigroup is one of the investors that has lent money to Petroperú to expand its operations. They must know that Petroperú is a polluting company and that we will not allow it to enter our territory. Citi and other international financiers must stop financing oil expansion in the Amazon.”

– Nelton Yankur, President of the Federation of the Achuar Nationality of Peru, impacted by Peruvian state oil company Petroperu.

Citigroup in Colombia

Citi [participated](#) in a \$100 million syndicated loan to Frontera Energy Corporation, the same year that it granted the syndicated loan to Petroperu. The credit was aimed to fund exploration and transportation commitments in Colombia and Peru. [Frontera Energy Corporation](#) is a Canadian company with operations in Colombia, Ecuador, and Guyana. In Colombia, Frontera is the block operator for three blocks under exploration in the Colombian Amazon.

The Threat to Indigenous Peoples' Lands and Cultures

The rainforests of the Western Amazon hold the headwaters of the Amazon River and are home to over 600,000 Indigenous people, including those living in voluntary isolation. Oil extraction and deforestation lead to violations of Indigenous peoples' rights and are existential threats to their survival. Many Indigenous peoples have explicitly and repeatedly voiced their opposition to the expansion of oil and other industrial activities in their territories. The oil industry is pushing deeper and deeper into Indigenous territories and frontier rainforests. Ecuador's national and Amazonian Indigenous Confederations CONAIE and CONFENIAE respectively, with The Waorani, and civil society organizations recently filed suit against the government, calling the expansion a "policy of death".



“Our basic right to Free, Prior and Informed Consent (FPIC) continues to be violated by oil drilling projects, as is our right to a healthy environment, Indigenous autonomy, and the rights of nature, all of which are guaranteed by our constitution. There is no current drilling that complies with UN standards on the Rights of Indigenous Peoples. We are adamantly opposed to new oil extraction. And when we raise our voices and exert our rights, we are criminalized, persecuted, and are threatened.”

- Marlon Vargas, President of the Confederation of Indigenous Nationalities of the Ecuadorian Amazon (CONFENIAE)

The Ongoing Toxic Legacy

Oil extraction in the Western Amazon is a significant source of soil, water, and air pollution, especially for local and Indigenous communities. Pipelines carry crude oil hundreds of miles from the Amazon, up over the Andes, to the Pacific Coast. These pipelines have a long history of ruptures and spills that contaminate rivers and disrupt the life, health, and food sovereignty of Indigenous communities.

A recent pipeline rupture in January 2022 and the April 2020 pipeline rupture contaminated 400 kilometers of two major rivers in the Ecuadorian Amazon and impacted tens of thousands of Indigenous peoples who depend on these rivers to survive. Flaring from oil wells pollutes the air and has led to a spike in respiratory illnesses. Pollution is also harming the fish and animal life that are staples in culture and local diets, leading to food insecurity and bioaccumulation of heavy metals in animals and humans alike, which also contribute to cancer rates and other illnesses.

The Indigenous movement is calling for an end to all new extraction, planned expansion, and new exploration, as well as a moratorium on current crude production until remediation of contaminated sites, occurs and future spill risk is assessed and mitigated, and there is a commitment to phase out fossil fuels.

What Citigroup can do to Address its Role in Oil Expansion Going Forward

To end the bank's legacy of support for Amazon destruction, Citigroup should follow the lead of six European banks that have already made Amazon commitments and needs to:

- **Immediately create an exit strategy for the Amazon, including an Amazon-wide exclusion for all financing and investment in oil and gas consistent with the principles of the Exit Amazon Oil and Gas platform (exitamazonoilandgas.org).**
- **Officially adopt an FPIC definition that upholds indigenous communities' right to give, modify, or withhold consent.**
- **Create strong engagement and grievance processes that adhere to globally recognized best practices for proactively engaging external stakeholders, especially frontline communities, in order to reduce the burden on stakeholders and move ESR screening from a reactive assessment that protects the bank to proactive mitigation of environmental and social risk that protects those most affected.**
- **Address its financial ties to corruption in the region by creating and/or clarifying the screening processes and exclusions for companies and transactions based on company business conduct e.g. its track record of pollution and corruption controversies.**

“Oil drilling in our Amazon has brought contamination, disease, deforestation, destruction of our cultures, and the colonization of our territories. It is an existential threat for us and violates our fundamental rights as Indigenous peoples. We are calling for an end to all new extraction on our lands, and as our ancestors and science now affirm, we must keep fossil fuels in the ground, in accordance with the commitments of the Paris Agreement and at COP 26 in Glasgow.”

- Nemo Andy Guiquita, a Waorani Indigenous leader of Women and Health of CONFENIAE.



Notes

- 1 <https://blog.citigroup.com/2022/01/our-approach-to-net-zero-by-2050/>
- 2 RAN. Banking on Climate Chaos 2021. www.ran.org/bankingonclimatechaos2021/
- 3 Citigroup documents reviewed include: Citigroup Statement on Human Rights; Citigroup Environmental and Social Policy Framework 2021; Citigroup Global ESG Report 2021; Citigroup Anti-Money Laundering Commitment; Citigroup TCFD Report 2021.
- 4 International Energy Agency, "Net Zero by 2050", (2021), <https://www.iea.org/reports/net-zero-by-2050>
- 5 <https://www.planv.com.ec/historias/sociedad/ecuador-cada-semana-hay-dos-derrames-petroleros>
- 6 Ibid.
- 7 Cyrlin, L. 2019. Financing Markets and Structures for Emerging Markets – Project Finance. Accessed Feb. 22, 2022: www.petroamazonas.gob.ec/wp-content/uploads/downloads/2019/06/07_Citi-Base-Futuro-Petrolero_vF.pdf
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- 9 Ministerio de Energía y Recursos Naturales No Renovables. 2018. Informe Anual del Potencial Hidrocarburífero del Ecuador. Accessed Feb. 22, 2022: www.recursosyenergia.gob.ec/wp-content/uploads/2019/11/Informe-Anual-del-Potencial-Hidrocarburi%CC%81fero-del-Ecuador-2018.pdf
- 10 Ibid.
- 11 BNamericas. 'Block 43- ITT is positioned as the oil field with the highest production in Ecuador'. Accessed Feb. 22, 2022: www.bnamericas.com/en/news/block-43--itt-is-positioned-as-the-oil-field-with-the-highest-production-in-ecuador; S&P Global. 'PetroEcuador to increase drilling at its ITT oil fields to boost output'. Accessed Feb. 22, 2022: www.spglobal.com/platts/en/market-insights/latest-news/natural-gas/030921-petroecuador-to-increase-drilling-at-its-itt-oil-fields-to-boost-output
- 12 MAAP. 'MAAP #150: New Oil Platforms Deeper Into Yasuní National Park (Ecuador), Towards Uncontacted Indigenous Zone'. Accessed Feb. 22, 2022: maaproject.org/2022/yasuni_itt/
- 13 Research conducted by Stand.earth Research Group using Ecuadorian export data compiled from 2014-2021.
- 14 <https://www.google.com/url?q=https://www.survivalinternational.org/about/Camisea&sa=D&source=docs&ust=1645827729334230&usg=AOvVaw10I-r8ERdddGm2Op8pz7EI>

Drone Photos of Environmental Damage in Xingu & Kayapo, Brazil ©Midia India



About the Exit Amazon Oil and Gas Campaign

The [Exit Amazon Oil and Gas campaign](#), led by Amazon Watch and Stand.earth in collaboration with the Amazonian Indigenous Federation of Ecuador, CONFENIAE, and the Panamazonic Indigenous Organization, COICA, is calling on banks to commit to excluding financing for oil and gas in the Amazon biome, starting with ending its expansion. To date, six European banks have made commitments to end project and/or trade finance of Amazon oil. Not a single U.S. bank has made any commitments.

The campaign follows research completed by Stand.earth and Amazon Watch that exposes links between leading banks in the Global North and the Amazon oil and gas trade. An [August 2020](#) report resulted in several major [European banks committing to end financing for the trade](#)

[of new oil](#) from Ecuador and some have since extended [commitments into Peru](#). That investigation was followed by a scorecard report titled [Banking on Amazon Destruction](#), revealing the ways that not only European, but also U.S. banks, remain highly exposed to the risks of Indigenous rights violations, environmental degradation, corruption, and other harms due to their ongoing relationships with oil companies and traders operating in the Amazon rainforest.

The opportunity for an Amazon oil and gas exclusion policy follows a precedent set by the successful Indigenous-led campaign resulting in major banks excluding financing for Arctic oil drilling. The Exit Amazon Oil and Gas campaign also addresses one of the strategies in the [Amazonia For Life: Protect 80% by 2025](#) initiative led by Indigenous communities calling for the permanent protection of the rainforest.

Learn more at exitamazonoilandgas.org

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An Indigenous man
navigates his boat through
the Ecuadorian Amazon.
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