

# ENERGY FUTURES?

## Eni's investments in tar sands and palm oil in the Congo Basin

### Executive Summary

At this year's G8, the major economies and energy producers recognized that dealing with the interlinked issues of energy investment, access and availability and tackling climate change is the key challenge to their countries. They also promised resolute action to address the energy poverty in which most of the world's citizens still live. This is particularly stark in Africa, where two thirds of sub-Saharan households do not have access to a secure energy supply.

One country with very poor energy access is Republic of Congo (Brazzaville), a small central African state where 70% of the population live under the poverty line, despite the country's oil wealth. Congo, besides being sub-Saharan Africa's fifth largest oil producer, is also rich in the biodiversity of its forests, which cover two thirds of the country. The Congo Basin forest is both a key resource for local people and a giant carbon sink that plays an increasingly vital role in protecting our climate. However, Congo's record on environmental and human rights protection and on transparent management of the country's natural resources is extremely poor. The country currently has no functioning environmental regulation. Despite this, Congo's government wishes to take on a leading role in stewarding the global resource of the Basin.

Eni, formerly the Italian state oil company, is one of the top ten energy companies in the world. It is still 30% owned by the Italian state. Eni is undertaking a new multi-billion dollar investment in Congo in developing tar sands, oil palm for food and bio-diesel and gas-fuelled electricity. This would be the first tar sands project in Africa and the agro-fuels project would be one of the largest on the continent. Eni has the biggest footprint in Africa of any oil company and wants to build long-term partnerships with countries like Congo extending beyond the energy sector. The company is also currently ranked as the world's most "sustainable" oil and gas company and is keen to promote its green credentials.

The agreements made between Eni and the Congolese government have not been disclosed. Research has revealed an almost total lack of public awareness of the investments in Congo. There has been no meaningful engagement at local or national level by Eni or by the government with Congolese citizens about the projects' potential fiscal, social and environmental impacts. This violates Eni's own environmental and human rights policies.

Local communities affected by oil production have long complained about inaction by corporations and government to address its impacts. Gas flaring levels at the huge onshore M'Boundi oil field, now operated by Eni, are extremely high (currently over 1 billion cubic metres per year) and have been a health and environmental hazard for years. Flaring is not only a violation of the right to health, but a huge waste of resources and a major contributor to greenhouse gas (GHG) emissions. Eni's plans to turn the gas into electricity are welcome, but the company still needs to address flaring's current impacts on communities. The extent to which the plant will serve Congo's energy-starved consumers is also unclear, as is its governance and financing structure. Eni also intends to apply for emissions reductions credits through the UN's Clean Development Mechanism for the electricity project: this is highly problematic for several reasons, including the fact that the plant could provide energy for any high-emitting tar sands development.

Eni's investments in tar sands and oil palm are inherently high-risk. In other parts of the world, such investments have been heavily criticized for causing social and environmental damage, both locally and globally. Extraction of tar or bitumen and its processing into synthetic crude is extremely intensive in water and energy use. In Alberta, Canada, the only place where tar sands are currently being developed, it has led to water depletion and pollution, with health impacts on communities, deforestation of Canada's boreal forest and habitat destruction. Production of a barrel of tar sands bitumen is 3-5 times more intensive in terms of GHG emissions than production of a barrel of conventional oil. Canada now has the highest emissions per capita of any G8 country and is being increasingly criticized for its inaction on climate change. Many civil society groups, local indigenous residents and scientists are now calling for a moratorium on new tar sands investment.

Investment in monoculture plantations of oil palm and other crops to produce agro-fuels, encouraged by targets introduced by national governments and the European Union, is a cause of the deforestation that accounts for around 20% of global greenhouse gas emissions. By replacing tropical forests and other ecosystems, monoculture plantations lead to a serious loss of biodiversity. The land-use changes they entail are also linked to increased food insecurity and to land conflicts, human rights abuses and threats to indigenous populations.

The risks of Eni's investments are heightened by the governance deficit within Congo, lack of transparency and community consultation and the area's ecological sensitivity. Eni has stated publicly that none of the investments will take place on rainforest or other areas of high biodiversity and will not involve resettlement of people. Yet the company's own studies reveal that the tar sands exploration zone comprises up to 70% primary forest and other highly bio-diverse areas. It also includes human settlements. There is no clarity as to what extraction and processing technologies Eni would use for the tar sands and it is impossible to predict the project's impacts on the country's water and energy resources.

Eni's investment throws into doubt the company's claims to be a player in sustainable development. It also raises wider issues about the social and environmental costs of supporting such high-carbon, export-driven energy investments in ecologically high-risk areas with minimal transparency and human rights protection. Particularly given the urgent need to tackle run-away climate change and improve energy access for the poorest. The Congolese government's collaboration with these projects undermines the credibility of its bid to be an environmental guardian of the Congo Basin. The Italian government is Eni's largest shareholder. Given its oversight role and international commitments, it has a responsibility to ensure that any investment by Eni involves due consideration of its potential developmental, human rights and environmental impacts.

In conclusion, it appears increasingly clear that there are some forms of new energy investment, (both fossil-fuel and so-called "renewable") that are particularly damaging to the local environment and communities and to our climate. For these reasons, they should be considered too high risk to pursue – especially in developing countries with very weak political and environmental governance. Eni's plans to develop tar sands and oil palm in Congo fall into this category.

## RECOMMENDATIONS

### To Eni and the Republic of Congo

- Given the high risk of irreversible environmental and social damage, cancel the investments in tar sands for oil production and oil palm.
- Place a moratorium on the bitumen for road surfacing project until its potential social and environmental risks have been fully assessed and local communities have given their free, prior, informed consent to the project.
- Disclose the fiscal terms of all agreements signed by the Congolese government and Eni relating to the tar sands, palm oil and electricity projects, and of any financing agreements related to any aspects of the projects, including any side agreements.
- Disclose the Independent Power Producer (IPP) agreement signed by the Congolese government and Eni, and the Power Purchase Agreements (PPA) entered into by the government with Eni or any third parties.
- Disclose the governance and shareholding structures of the CEC and the existing power plant at Djeno, including the *Accord Particulier M'Boundi*.
- Disclose all baseline studies, environmental and social impact assessments (ESIAs) and health impact assessments (HIAs) related to all the investments and related infra-structure (pipelines).
- Disclose in full the HIA and underlying epidemiological data related to the impacts of flaring at M'Boundi, plus any other studies, and facilitate independent evaluation of gas flaring at M'Boundi.
- Disclose any mitigation measures being planned with respect of flaring and institute a process of meaningful consultation with affected communities on these measures, including a compensation process.

### To Eni

- Institute a moratorium on any further investment in tar sands development and industrial-scale agro-fuels production.
- Implement all the recommendations made by Amnesty International in relation to oil company operations in Nigeria in its Congo operations and its entire portfolio of investments. In particular, facilitate an independent review of the company's environmental management processes, and fully overhaul community engagement practices and ensure oversight of the community engagement process.
- Make free, prior and informed consent (FPIC) a condition of all project investment in developing countries, in particular in those with weak human rights and environmental protection, including Congo.
- Report to shareholders and disclose to the general public in its *Sustainability Report* detailed per project information on greenhouse gas emissions and on how Eni's investments are contributing to the Italian government's commitments to support reduction of GHG emissions.

### To Eni Shareholders

- Urge Eni's management to implement all the recommendations on the company's investments in Congo and on its overall portfolio, as above.
- Support a moratorium on any further investment by Eni in tar sands development and industrial-scale agro-fuels production.

### To the Eni Foundation

- Include independent civil society representatives on oversight structures for any social development programmes and develop a transparent and measurable stakeholder engagement plan for ensuring community involvement in design and implementation of programmes.
- Carry out an independent evaluation of the management and impacts of the healthcare programme, with an independent audit of expenditures, including of funds passing through Fondation Congo Assistance, and publish the results.

### To the Government of the Republic of Congo

- Respect its commitments under international human rights conventions and environmental treaties to which it is party, and in particular its commitments under the Congolese Constitution to protect public health and the right to a healthy and sustainable environment and ensure adequate compensation for destruction and pollution caused by economic activities.
- Undertake to review the existing laws on compensation so that they are in line with international best practice, and in particular ensure there is adequate compensation for all loss of livelihoods and land expropriated to oil developments and related infrastructure.
- Undertake to produce a national management plan for forest law enforcement and for protection of other areas of high bio-diversity such as wetlands, and publish the findings of the forestry sector review produced under its HIPC debt relief agreement.
- Disclose any agreement(s) with Eni or any other company relating to the leasing of land for production of agro-fuels or any other agro-fuel related project.
- Disclose all studies by the state carried out into the public utility of continued flaring as per Decree 2007/294.

### To the Italian Government

- Disclose in full information held on the environmental impacts of flaring at the M'Boundi field at the time of Eni's purchase of its majority stake in 2007 and of the tar sands development at the time Eni signed its agreements with Congo (May 2008).
- Ensure there is an annual investigation of the greenhouse gas emissions of Eni's operations on a per project basis, with the results published in the company's *Sustainability Report*, including how investments are contributing to emission reductions obligations under EU and other international agreements ratified by the Italian government.
- Report to the public on how Eni's investments in developing countries are contributing to development, poverty reduction and energy security objectives under EU and other international agreements ratified by the Italian government.

### To the Executive Board of the Clean Development Mechanism

- Exclude from the CDM any project whose overall impacts from associated project activities would increase greenhouse gas emissions and undermine sustainable development criteria.

# 5.3 Tar sands exploration zone



© Endangered Species International



Conakouati-Douli National Park is "the most ecologically diverse habitat in Congo" and home to many threatened species such as chimpanzees and gorillas. © Kim Gjerstad / Greenpeace



The coastline near the Conakouati-Douli National Park is important for nesting turtles, including the critically endangered Leatherbacks and endangered Olive Ridley's Leatherback turtle. © Dr. Matthew Witt, University of Exeter.



Pointe Noire. © Chris Walker



Bitumen found near the surface, near MBoukou, Dionga, Congo. © Elena Gerebizza



Flaring at ENI's M'Boundi field. © Chris Walker



Villagers living in the vicinity of M'Boundi © Chris Walker



Congo rainforest. © Greenpeace/ Filip Verbeelen



Great Egret. The Kouilou basin is designated an important bird area © Greenpeace / Michael Amendolia

