Deforestation in Xingu & Kayapo, Brazil. ©Mídia Índia

Executive Summary

The Amazon is at a tipping point. Further oil and gas extraction, a major driver of deforestation, will push the biome—essential for climate change mitigation and home to 400+ Indigenous nationalities that defend and depend on it—to the brink of irreversible collapse. It is one of the last places in the world to be expanding oil exploration or production, particularly as Paris Climate Agreement imperatives make clear no new fossil fuel expansion should happen anywhere.

Still, oil and gas exploration and production continues to expand, opening up intact forest landscapes and primary forests, driving biodiversity loss, violating Indigenous peoples' rights, and causing pollution and corruption to soar. Many banks continue to fund oil and gas companies and traders active in the Amazon, despite adopting policies designed to assess these environmental and social risks in their finance and investment decisions. To make matters worse, the climate implications of these financial practices are incompatible with 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.[1]

In August 2020, Stand.earth and Amazon Watch released a report calling out European banks for financing the trade in Amazon oil from the Amazon Headwaters in Ecuador and Peru, despite policies that would seem to rule out such financing. This exposé led to commitments by the top six lenders to uphold their environmental and social risk (ESR) policies and end their trade financing. As we engaged in dialogue with these and other banks, we uncovered additional issues, loopholes, and relationships, leading us to eventually identify fourteen banks in Europe and the U.S. that are involved in the oil industry across the Amazon basin, seemingly in contradiction to their sustainability commitments and policies.

This scorecard is designed to assess and rank banks' efforts to implement their climate and ESR management frameworks in the Amazon. The output of the scorecard is a ranking of each bank's performance and their associated risk of complicity in Amazon destruction, based on how well their risk management holds up against an assessment of their current risk exposure from their finance and investments in the top 90 oil and gas companies active in the Amazon, as well as any related controversies. Banks that have taken steps to exclude trade financing for Amazon oil are early leaders on this effort, but our research makes clear that none of them can yet rest on the commitments they have already made and be confident that they have managed risks and exposures sufficiently. All of the banks in this scorecard were provided with a copy of their initial score and given a chance to respond. In most instances, these clarifications improved their scores.

Table 1. Bank rankings, grades, and corresponding risk levels.

RANK	BANK	GRADE	GRADE %	RISK LEVEL
1	Rabobank	B	70%	MODERATE
2	ABN AMRO	B-	68%	MODERATE
3	ING	B-	66%	MODERATE
4	BNP Paribas	C	56%	HIGH
5	UBS	D	45%	HIGH
6	Société Générale	D	45%	HIGH
7	Credit Suisse	D	44%	HIGH
8	Natixis	D	41%	HIGH
9	Crédit Agricole	D	40%	HIGH
10	Citigroup	F	38%	VERY HIGH
11	Goldman Sachs	F	34%	VERY HIGH
12	Deutsche Bank	F	32%	VERY HIGH
13	HSBC	F	30%	VERY HIGH
14	JPMorgan Chase	F	29%	VERY HIGH

We found that although most banks have climate strategies to be net zero by 2050, with the purported goal of keeping global warming to under 1.5°C, they haven't yet made firm targets for decarbonizing their finance and investment portfolios. At the same time, banks want to keep funding the oil and gas industry. They claim to use their finance and investment clout to engage oil and gas clients and investees on reducing the carbon emission intensities of these big emitters, rather than divesting or excluding them. But without portfolio targets, banks don't know how long they can keep putting money into the oil and gas industry before a 1.5°C scenario becomes unattainable. The clear data from the IEA, the Stockholm Environment Institute and the UN Environment Programme is that no expansion of production is consistent with a 1.5°C scenario, and companies must plan for production and overall emissions declines, not just emission intensity improvements.[2] **There is no way to avoid climate disaster without immediately ending all further investment in new fossil fuel supply.**

However, unless banks take decisive actions today, they will continue to support activities that destroy the Amazon rainforest and climate, and violate the rights of Indigenous peoples, at ever increasing rates. Zero-deforestation commitments and deforestation exclusions can help banks manage the risk that their financing and investment will cause forest loss. But for most banks, even these interventions (which are not always implemented effectively) do not cover the oil and gas sector. Roads for oil and gas fragment intact forest landscapes, opening the door to further industrial deforestation and pollution.[3] If banks are serious about protecting biodiversity, they cannot let their finance and investment decisions support extractive activities that cause deforestation and the associated degradation —inside or outside of protected areas. But bank biodiversity exclusions reviewed in this scorecard are often limited to existing, legally-defined protected areas and do not include Indigenous territories, which have a crucial role to play in Amazon conservation. Almost half (45%) of the large wilderness areas in the Amazon basin are in Indigenous territories.[4] The scorecard analysis shows that even under the best biodiversity policies, too much of the Amazon is still open for business.

Where banks have Free, Prior, and Informed Consent (FPIC) clauses in their policies, these are typically focused on screening projects for the presence of an FPIC process before banks make decisions about financing. But banks embrace a narrow definition of consent that allows consultation or compensation to have the same weight as consent. Prior and informed consent is key to FPIC, and Indigenous people must be able to give it, change it, or take it away, otherwise their consent isn't free. Marlon Vargas, President of the Confederation of Indigenous Nationalities of the Ecuadorian Amazon (CONFENIAE) shared, *"For too long, the oil industry has wreaked havoc on our Indigenous peoples, violated our rights, cut down our forests, seized our territories, and created climate chaos that is leading to the collapse of the Amazon. The banks that finance this destruction are complicit in the genocidal threat to our peoples and an existential threat to humanity and our planet. We call on all institutions that finance oil extraction and the oil trade in the Amazon to make bold decisions to stop bank-rolling environmental pollution and climate change. Their investments must be based on sustainable economic alternatives for our countries and communities."*

Banks also need stakeholder input, especially from frontline Indigenous communities. Yet very few banks have adequate and accessible engagement and grievance processes to address complaints about violations of their ESR policies. **We found that banks are being complacent—putting the burden on stakeholders with less power and means to raise issues, without clear policy on how their voices will be heard or how recourse will be just.** By waiting for stakeholders to sound the alarm, banks are not addressing shortcomings in their policy implementation until frontline communities have already borne the brunt of negative impacts in the Amazon.

When it comes to pollution and corruption, our scorecard found that banks have even weaker ESR policies compared to other cross-sectoral issues such as human rights and biodiversity. Pollution and corruption are most often considered issues with how a company is conducting itself (its business conduct), and these issues are the least likely of all the major Amazon threats to have exclusions. Several prominent companies who have recent histories of corruption and pollution are still receiving finance and investment from these banks, despite indications by banks that these companies' track records would make it harder, and possibly impossible, for banks to do business with them.

There is no way to avoid climate disaster without immediately ending all further investment in new fossil fuel supply

The Capahuari river runs through Achuar Indigenous territory in the Ecuadorian Amazon. ©Amazon Watch/Caroline Bennett

In addition, the research found that the banks analyzed in this scorecard have a major blind spot in their lending practices. They create syndicated renewable loans (revolving credit facilities or RCFs) worth billions of dollars for their oil trading clients, but don't have adequate oversight on how the money will be spent. Oil traders could feasibly spend it on whatever they decide 'general corporate purpose' entails, without enough scrutiny by banks to detect environmental and social risks or corrupt business practices. Recent investigations by the U.S. Justice Department have revealed more than a decade of bribery and corruption in national oil companies in Brazil and Ecuador that was instituted by oil traders such as Gunvor and Vitol, which siphoned huge sums out of these resource-rich countries while letting the country economies cycle into increasing indebtedness.[5]

In this scorecard, banks are categorized according to their risk management (positive) and risk exposure (negative) scores and given a grade and a rating for their overall risk of Amazon destruction. Frontrunner banks are signatories to more climate and sustainability commitments, and for longer, and do more reporting than other banks—suggesting that transparency is key. Contender banks have good policies, but their exposures indicate a disconnect between their 'talk' and their 'walk' that needs redressing. Banks that are Followers have below-average policies but are not that exposed in the Amazon, and could step into leadership roles by strengthening their commitments and policies.

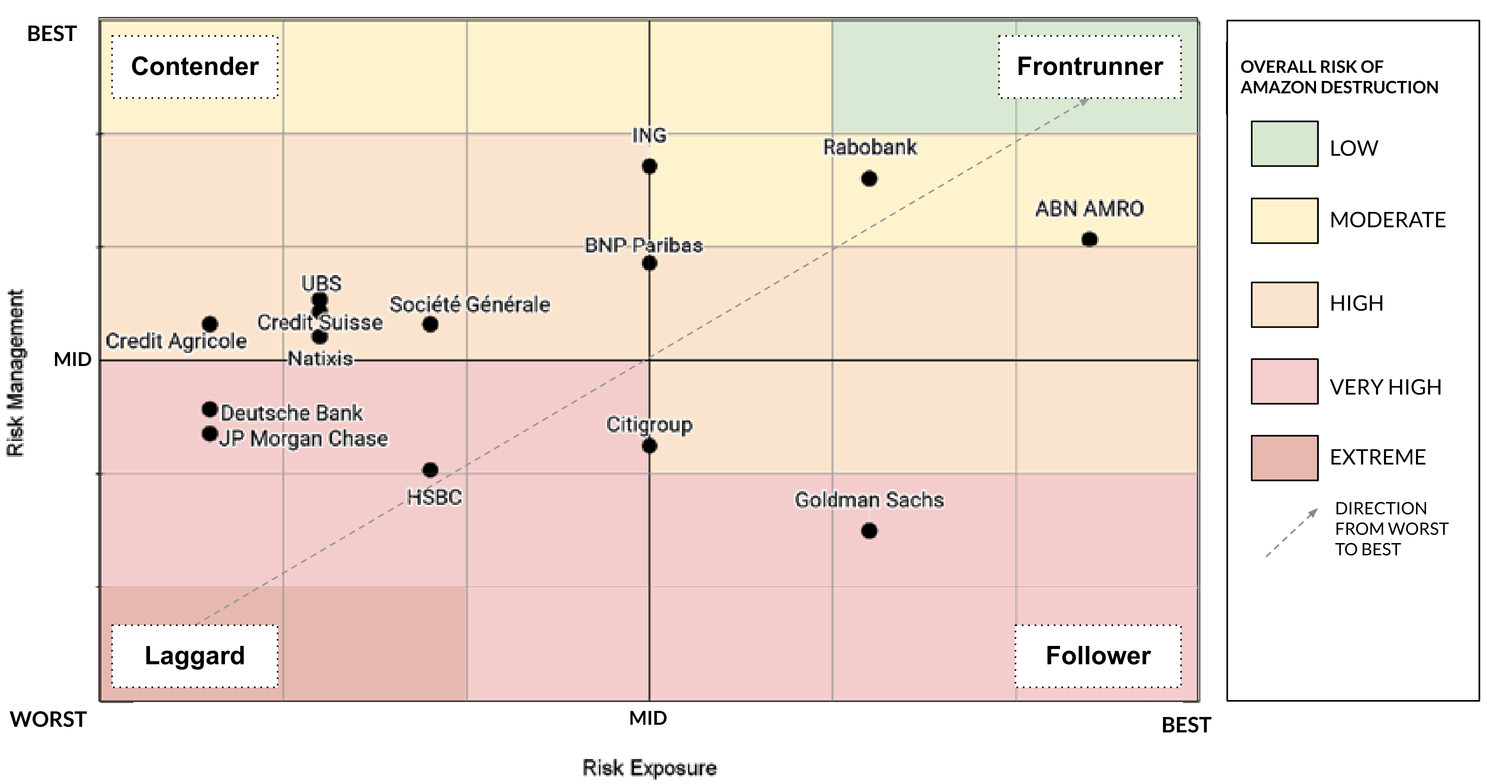

Figure 1. Scatter chart of bank scores and corresponding overall risk of Amazon destruction.

Finally, banks that are Laggards did not have the policies in place and are also highly exposed. Some banks, like Natixis in April 2021, are already making changes to improve their score by adopting an exclusion for trade financing for Ecuadorian oil from the Amazon.

These same banks that have failed to create and implement policies that protect the Amazon also have financial exclusions for onshore and offshore Arctic oil, designed to protect the high biodiversity value of the Arctic and its vulnerability to climate change. The logic that drove the creation of Arctic exclusions can and should be applied to the Amazon.

Both ecosystems have environmental thresholds based on climatic conditions, such as temperature and rainfall. For example, the Amazon basin makes its own rain. This massive act of self-sufficiency is predicated on the extent and connectedness of the rainforest, so where the great dark canopy falls, so does the amount of rainfall it produces—to a tipping point after which it cannot sustain itself. The Intergovernmental Panel on Climate Change (IPCC) (2019) defines a tipping point as achieving "irreversibility—such as degradation of ecosystems that cannot be restored to their original baseline" but Boers et al, 2017 have a bold definition that clarifies the scope of the problem: "the possibility of a dieback of the entire ecosystem due to deforestation only of parts of the rainforest."[6] Lovejoy and Nobre (2019) established that "a tipping point for the Amazon system to flip to non-forest ecosystems in eastern, southern and central Amazonia is at 20–25% deforestation."[7] In May 2021, Amazon deforestation hit a record high.[8]

By waiting for stakeholders to sound the alarm, banks are not addressing shortcomings in their policy implementation until frontline communities have already borne the brunt of negative impacts in the Amazon

The scorecard reveals that the only real solution to managing the risk of Amazon destruction is for banks to exclude Amazon oil and gas from their portfolios, taking into account the entire Amazon biome (see definition of biome on page 28) and creating an exit strategy that omits finance and investment first for new expansion, then for oil traders, and finally, for the entire oil and gas industry in the Amazon biome. As the IEA calls for no new oil and gas expansion globally, Indigenous organizations and allied NGOs are also urgently calling for protection measures to keep the Amazon from continuing on its destructive 'tipping point' trajectory. As corruption allegations in the Amazon oil trade intensify, banks are running out of reasons not to take this step.