

May 23, 2007

TO: FT Sustainable Banking Awards Judging Panel:

John Willman, UK Business Editor, Financial Times
Lars Thunell, Executive Vice President, International Finance Corporation
Paul Clements-Hunt, Head, UNEP Finance Initiative
Paul Grimes, Chief Operating Officer, FTSE Group
Sergio Rosa, Chief Executive Officer, PREVI
Tessa Tennant, Chair, Assn. for Sustainable and Responsible Investment in Asia

RE: Opposition to ABN Amro Nomination for Sustainable Bank of the Year

The undersigned environmental organizations write to strongly oppose the nomination of ABN Amro for the FT Sustainable Bank of the Year Award. We oppose ABN Amro due to, *inter alia*, its reported financing of the Russian government-controlled Gazprom purchase of a controlling share in the controversial Sakhalin II oil and gas project in the Russian Far East.^[1]

ABN AMRO financing of the enormously risky Sakhalin II is grossly inconsistent with the bank's status as a founding signatory of the Equator Principles, a document that sets standards for environmental and social performance. Sakhalin II is a threat to critically endangered Western Gray Whales, to hundreds of wild salmon rivers, and to fishing communities. Sakhalin II has also introduced thousands of non-resident workers to Sakhalin Island, resulting in hyper inflated housing costs, increased violence and the spread of sexually transmitted diseases.

Despite the project's severe environmental problems, Sakhalin II tried for three years and ultimately failed to win the environmental approval of the European Bank for Reconstruction and Development (EBRD). In December 2006 the EBRD withdrew consideration of the project, this just as Gazprom gained control over the project.

Meanwhile, the Export Credit Agencies of the UK, Japan and US, as well as many private commercial banks have not provided an environmental clearance for Sakhalin II because it cannot demonstrate compliance with bank policies, including the Equator Principles. ABN Amro's direct financing of Gazprom circumvented this process, undercutting the due diligence of these other banks and the international norms ABN Amro helped establish.

Local, national and international non-governmental organizations have independently documented the severe environmental and social damage caused by Sakhalin II project. Several Sakhalin II campaign NGOs, including WWF, Pacific Environment, Friends of the Earth, Sakhalin Environment Watch, have made presentations to ABN Amro documenting this damage and associated policy violations, but the bank has chosen to ignore this information.

Meanwhile, the domestic and international press, including the Financial Times, has chronicled extensively the environmental and social damage caused by Sakhalin II. Recently, Environmental Finance published an article raising serious questions about

whether ABN Amro should receive the FT Sustainable Banking Award (see attached: ABN Amro Slammed for \$1 Billion Sakhalin Deal). Thus, any environmental award given to financiers of Sakhalin II will be inconsistent with a widely accepted understanding of international environmental and social norms and policies.

As you know, in 2006 the Russian Federation initiated environmental enforcement actions against Sakhalin II based on violations that follow the same pattern as those documented by EBRD and other banks, as well as independent environmental organizations. While environmental groups believe that enforcement of Russia's environmental laws is warranted, many Western banks ascribed ulterior motives to the Russian government actions. These observers may question whether ABN Amro's financing of Gazprom, and by extension a potential FT Sustainable Banking award to ABN Amro is tacit approval of Russia's nationalistic energy policy and heavy-handed tactics.

The banking community is aware of the fundamental restructuring of ABN Amro now taking place. As environmental organizations, we are concerned that any bank that ends up inheriting the Sakhalin II deal will be entering a project with chronic and yet resolved environmental problems, each of which carry financial and reputational risks.

Based on these considerations, we urge the FT Sustainable Banking Awards Judging Panel to reject the nomination of ABN Amro for any Sustainable Banking Award.

Sincerely,

Dmitry Lisitsyn
Chairman
Sakhalin Environment Watch
Russia

Jan Cappelle
Proyecto Gato
Belgium

Paul de Clerck
Coordinator Corporate Campaign FoE
International

Volker Homes
Head Species Conservation Section
WWF Germany and TRAFFIC Europe-
Germany

James Leaton
Senior Policy Advisor
WWF – UK

Dr. Andreas Misshbach
Private Finance Programme
Berne Declaration
Switzerland

Doug Norlen
Policy Director
Pacific Environment

Donald Pols
Milieudefensie
The Netherland

Attachment

[1] On Tuesday, April 24, 2007, The Moscow Times and Bloomberg reported that ABN AMRO Holding and Societe Generale provided US\$ 1 billion each to the Russian government controlled gas giant, Gazprom, for its purchase of a controlling share of Sakhalin II. Sakhalin Energy Investment Company (SEIC) was previously comprised of Royal Dutch Shell (55%), Mitsui (25%) and Mitsubishi (25%). Under the terms of the Gazprom takeover, the Russian government-controlled gas company will have a controlling 51% share, and the other shareholders will dilute their shares by half.

ABN Amro slammed for \$1 billion Sakhalin deal

London, 26 April: ABN Amro has reportedly provided \$1 billion to Gazprom to finance its purchase of a controlling share in the controversial oil and gas project Sakhalin II. Sakhalin II is located on the island of Sakhalin, off the Pacific coast of Russia. Environmental campaigners have long opposed its development, because it is sited in the only known breeding ground of the rare Western Grey whale. Onshore construction is also alleged to impact on the population of wild salmon that breed in the island's network of rivers.

Shell, which originally led the consortium constructing Sakhalin II, reached a deal which saw Gazprom acquire a 50% share in the project last December, under pressure from Russia's environment watchdog. According to reports in *The Moscow Times*, ABN Amro provided the gas giant with \$1 billion of this money.

A group of NGOs has issued a statement criticising ABN Amro for financing this deal, noting that the bank was a founding signatory of the Equator Principles, which set environmental and social standards for project finance, as well as being short listed as a contender for the sustainable bank of the year award by the *Financial Times* and International Finance Corporation (IFC).

Johan Frijns, co-ordinator of Utrecht-based NGO BankTrack, said: "The *Financial Times* and IFC have their own reputations at stake here. ABN Amro's and Barclays' association with Sakhalin II will be a credibility drag on the whole lot of them."

In addition, Dmitry Lisitsyn, chairman of the Sakhalin Island-based Sakhalin Environment Watch, said that the deal has implications for Barclays and Royal Bank of Scotland, both of which are involved in bids to acquire the Dutch bank. "All banks involved in the great game around ABN Amro want it both ways; but they can't claim to be environmental leaders while taking over the financing of one of the most ecologically and socially destructive oil and gas projects in the world," he said. ABN Amro did not return requests for comment before press time.