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Lenders Delay Funding Camisea Pipeline

by LADB Staff

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The administration of US President George W. Bush has been advocating approval for funding the controversial Camisea project to pipe natural gas from the rain forests in the Peruvian Amazon to the coast for possible export to the US.

Opponents say the project, which would enrich some of Bush's largest campaign contributors, risks the destruction of the rain forest, threatens its indigenous peoples, and endangers rare species of wildlife. Those strong concerns brought an unexpected delay in the vote to fund the project. The Bush administration wanted financial support for Camisea through both the US Export Import Bank (Ex-Im Bank) and the Inter-American Development Bank (IDB).

On July 30, the IDB put off until Aug. 6 the vote on whether it would provide a US\$75 million loan for the US\$2.6 billion project. In addition to the US\$75 million loan, IDB directors must decide whether to lead a consortium of private banks that will lend the project several hundred million dollars more.

IDB spokesman David Drosdoff said that the delay came at the request of IDB president Enrique Iglesias, who "wanted to give more time for some of the directors to consult with their governments." Ex-Im Bank also put off until at least next week a decision on whether to approve US\$200 million in financing for drilling operations in Camisea. The intensive lobbying of senior US Treasury and IDB officials by project opponents, including Amazon Watch, Amazon Alliance, and Environmental Defense (ED), appears to have moved the Bush administration from supporting the project to leaning toward abstaining when a final vote is taken.

A federal law requires environmental assessments to be completed 120 days before the US votes on a multilateral development bank loan. The US Agency for International Development (USAID) reportedly told Treasury that the Camisea project did not meet that requirement.

"If this [delay] can be translated into doing something about the problems that have clearly arisen in the project, instead of being just a delay for one week and then they'll vote to approve it, that would be huge," said Aaron Goldzimer of ED, one of the groups that are calling for a full review of the project.

Camisea a priority for Toledo

Peruvian President Alejandro Toledo, during a recent US trip, called the Camisea project "vital" to the financial rehabilitation of Peru, which has more than US\$30 billion in foreign debt. Peruvian officials say it would cut energy costs, replace dirtier fuels, and boost tax revenue. They say the project is a way for the nation to build an energy industry, create jobs, and repay the foreign debt.

On July 28, in his yearly report to Congress, Toledo said he had assurances from the lenders that they would approve the US\$300 million in loans to finish Camisea. He said the project, 1,300 km east of Lima in the department of Cuzco, was advancing rapidly, and he expected the natural gas to supply electricity generating plants and industries in Lima. Peru's largest development project would exploit a huge area in the Amazonian region by running two pipelines, 1,150 km and 520 km in length, through the Andean rain forests to Lima.

The project envisions 21 wells from four drilling platforms over two fields, heliports, worker camps, sludge pits, and water and waste disposal facilities. The project also includes the construction of liquefied-natural-gas (LNG) processing plants, including one immediately adjacent to the Paracas National Reserve, Peru's only protected marine area and home to extremely rare animal species, including green sea turtles and Humboldt penguins.

The international consortium, led by Dallas-based Hunt Oil, Argentina's Pluspetrol, and Peru's Tecast, began work on the Camisea project in 2002. Hunt hopes to export liquid natural gas to the US by 2006. In the 1980s, Royal Dutch Shell prospected for oil in Peru's Ucayali Basin. Shell geologists found no oil but discovered a "world class" natural-gas field with potential reserves of 13 trillion cubic feet of gas and 600 million barrels of condensate, a fossil fuel that includes propane, butane, and heavier hydrocarbons used in gasoline.

Peru's government opposed Shell's plan to remove the gas. Shell made a new effort in the 1990s, but indigenous groups objected, aided by international environmental groups. In 1998, after disputes with the government, Shell pulled out of the project (see NotiSur, 1998-07-31). Indigenous leaders were elated.

Today, they feel differently. "If we'd only known," said Lelis Rivera, director of the Center for Development of Indigenous Amazon Peoples (CEDIA), "we would, one thousand times over, have preferred Shell."

In 2000, Peru awarded the Camisea extraction concession to a consortium led by Hunt and Pluspetrol, and separately awarded the pipeline contract to another consortium including Hunt, Pluspetrol, and five other companies.

Damaging internal Ex-Im report

An internal report by the Ex-Im Bank, obtained by Amazon Watch under the Freedom of Information Act (FOIA), said that proposals to mitigate the environmental impact of the project are "woefully inadequate" and would lead to mudslides, destroy habitats, and spread diseases among indigenous peoples. The 161-page report said that key decisions were made for economic reasons, that massive erosion had already occurred on the pipeline route, and that unique biodiversity faced "significant, long-term, and largely irreversible" deterioration. The assessment said that an underwater pipeline spill could kill fish, mammals, and birds in the Paracas Reserve, adding that the project is "ill-prepared for a spill of any magnitude."

Project sponsors failed to examine the "secondary impacts," it said. "Access will lead to continued loss of forest cover, wildlife habitat loss, fragmentation, reduced forest biodiversity, and reductions in populations of important plant and animal species over large areas," the report said. The erosion also has left the pipeline unstable and muddied streams used for drinking.

Friends of the Earth and Amazon Watch commissioned an independent analysis, which found that the project would have "irreversible impacts on the biodiversity of this area and on the indigenous groups."

In October 2002, during a meeting at the IDB, conservation groups listed complaints: workers intruding on isolated tribes; pipeline-route changes without notice or review; erosion muddying rivers; declining fish and game populations; and at least seven worker deaths. "The project is past the point where it could ever have been brought into compliance with internationally accepted environmental and indigenous-peoples standards, including many of the IDB's own minimum standards," the groups said in a joint statement.

The IDB's environmental project reviewer Robert Montgomery played down the consortia's mistakes at the meeting. "I don't believe we can necessarily penalize people in perpetuity," he said. "If they have had past bad actions and they are willing to improve, we have to take that into consideration. We still are working on the assumption of making this project environmentally and financially viable."

Friends of the Earth described one threatened area as "one of the world's most pristine tropical rain forests," home to the Nahua, Kirineri, Nanti, Machiguenga, and Yine indigenous groups. In March, Pluspetrol rejected claims that the project is a threat to the indigenous tribes.

Jose Luis Carbajal, an anthropologist with Pluspetrol, questioned claims that 15 Nanti children who lived near the Camisea project died between August and December 2002 from illnesses previously unknown in their area. He said that the Nanti communities, which are two days' travel by river from the Camisea project area, frequently contact Pluspetrol workers by radio. "If people were dying, they would have called us," he said.

The Camisea project, which is 60% completed, has strong opposition from some US members of Congress. Some government officials are privately urging measures to mitigate environmental damage including relocating the export terminal away from the marine reserve. But The Washington Post reported that project backers, including the Peruvian government, object because the changes would entail delays.

Nine US senators last week sent a letter to Treasury Secretary John Snow and the head of Ex-Im calling for a delay in the votes to allow more complete reviews. House Minority Leader Nancy Pelosi (D-CA) also asked Snow to delay the vote. Sen. Patrick J. Leahy (D-VT), ranking Democrat on the Senate Appropriations Committee panel that funds the IDB and the Ex-Im Bank, said the project has "serious flaws," and he called for no public financing and a halt on further construction until damage is mitigated and "steps have been taken to prevent further harm."

Bush political contributors major beneficiaries

Major beneficiaries of the Camisea project would be two Texas energy companies with close ties to the White House, Hunt Oil and Halliburton Co.'s KBR unit, formerly Kellogg Brown & Root. Halliburton was headed by Vice President Dick Cheney before he left to run for vice president. Halliburton is considered the "top candidate" to build the LNG plant near the Paracas Reserve.

Others involved in the project with close connections to the Bush administration include Ex-Im Bank president Phillip Merrill, a major Republican donor and a close friend of Cheney's. The Treasury official who will cast the US vote at the IDB is Bush appointee Jose A. Fourquet, a Bush fundraising "Pioneer," the designation for those who raised at least US\$100,000 for Bush's presidential campaign.

Hunt Oil chairman Ray Hunt, another Bush Pioneer, was appointed to Halliburton's board with Cheney's backing and still serves today. Hunt raised money for Bush's father in 1992, and President Bush named him to the Foreign Intelligence Advisory Board. The Hunts have donated at least another US\$460,000 to Republican state campaigns, and their company, its employees, and the spouses of employees have given more than US\$1 million to Republican causes since 1995, according to the Center for Responsive Politics. Hunter Hunt, vice president of Hunt Oil and Ray Hunt's son, was Bush's "primary policy advisor responsible for energy issues," according to Hunt Oil's Web site.

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