

The East African Crude Oil Pipeline: New risk developments

On January 17th, 2023, the Ugandan cabinet [approved the construction licence](#) for the EACOP. The Tanzanian government [followed](#) on February 21st. While project proponents communicated this development as a significant step forward, the project still has not reached financial close (in other words, it has not yet secured finance). This remains one of the most important conditions for the project to move ahead. Although Uganda National Oil Company (UNOC) [contends](#) that financing is on track, the expected date for financial close has already been pushed back several times since the final investment decision was announced in February 2022.

In addition, a host of issues with regard to the expected and current impacts of the project have not yet been resolved. Opposition against the project continues to grow, with Ugandan and Tanzanian voices taking centre stage, this despite the shrinking civil space and the worsening human rights regime in Uganda, as demonstrated by the Ugandan government's [decision](#) in February 2022 to end the mandate of the UN Human Rights Office.

The full range of environmental, human rights, and climate risks and impacts associated with the project, as well as the commercial and reputational risks it poses to prospective investors, financiers and insurers, are set out in our four previous EACOP Finance Risk Briefing papers and updates.

The documents can be found here:

- [Finance Risk Briefing](#)
November 2020
- [Finance Risk Update](#)
No. 1, Aug 2021
- [Finance Risk Update](#)
No. 2, Jan 2022
- [Finance Risk Update](#)
No. 3, Jun 2022

Taken together, these briefings detail the project's unacceptable risks and impacts to local communities, through physical and economic displacement, threats to livelihoods and income generating activities; grave risks to critical water resources and biodiversity, including protected ecosystems; and unacceptable climate harm.

This fourth Risk Update sets out significant developments that have emerged since our last Risk Update in June 2022 that will be of interest to banks, investors and insurers considering financing the project or exposed to its backers.

1. Project updates

Governments of Ugandan and Tanzania approve the EACOP construction licence

In January of this year, the government of Uganda [approved](#) TotalEnergies' application for a construction licence for the EACOP project. The application was [submitted](#) in July of last year in Uganda as well as Tanzania in [June](#). The Ugandan licence is subject to certain conditions. Among other things, Total needs to secure all necessary consents and permits and the EACOP company needs to assume the monitoring responsibility for the entire pipeline. The Tanzanian government [followed](#) with the approval of the construction licence for Tanzania a month later on February 21st.

Ugandan civil society organisations have [challenged](#) the application process for the construction licence in Uganda in a communique. Ugandan law stipulates that such an application needs to be announced in public in a newspaper and directly affected parties and local authorities must be given the opportunity to lodge an objection with the Minister. By not meeting these conditions, the Ugandan government has violated oil sector laws.

New study on emissions and pollution risks

In November 2022, [Climate Accountability Institute](#) (CAI) published the first detailed analysis of the lifetime climate emissions of the EACOP project. The [analysis](#) found that the project would result in emissions of 379 million tonnes of CO₂ equivalent (MtCO₂e) during the 25-year project lifetime, including the full value chain of emissions from pipeline transport of crude oil to the oil's end use by global consumers. Emissions would range from a peak of 34.8 MtCO₂e during years 3 through 6 to a low of 5.9 MtCO₂e in year 25. The study was covered in an article by [the Guardian](#).

These emissions do not fit in a 1.5°C pathway, as the [sixth IPCC Synthesis Assessment Report](#) that was published in March 2023 has confirmed. The figures in the report clearly show that the carbon budget for a pathway to limit global warming to 1.5 °C has already been exhausted by existing fossil fuel infrastructure.

Proposed fossil fuel infrastructure will further exhaust almost all of the carbon budget for limiting global warming to 2°C. It paints a grim picture of current trends: if we move ahead with the fossil fuel infrastructure that is currently planned, we have an 83 percent likelihood of reaching 2°C global warming, causing irreversible damage.

“The project would result in emissions of 379 million tonnes of CO₂ equivalent (MtCO₂e) during the 25-year project lifetime, including the full value chain of emissions” -

Climate Accountability Institute (CAI)

Risk that EACOP emissions could be even higher

The calculation of emissions above assumes that the pipeline is only used for transporting and burning oil from the Tilenga and Kingfisher oil fields in Uganda. However, the EACOP could also be used for other [oil fields](#) in Uganda, DRC, Tanzania or even South Sudan, potentially extending its lifespan and increasing the emissions that it will enable.

The possibility that the DRC could be interested in connecting the oil blocks they have put up for auction to the EACOP is becoming [more widely discussed](#). This means the EACOP could unlock another 50,000 barrels of oil per day to the international market, on top of the 216,000 barrels per day from the Tilenga and Kingfisher sites. [Thirteen](#) of the DRC oil blocks that were put up for auction in [July 2022](#) are located in protected areas. Some of the oil blocks are also located in important peatlands that store about [30 gigatons](#) of carbon.

European Parliament passes emergency EACOP resolution

In September 2022, the European Parliament [adopted a groundbreaking resolution](#) that recognises the consequences for both human rights and the climate of the EACOP and the associated Tilenga oil extraction project and calls for "an end to the extractive activities in protected and sensitive ecosystems, including the shores of Lake Albert". It also urges Total to adopt a one-year moratorium before launching the EACOP to explore alternative projects based on renewable energies for better economic development. The decision is not binding on TotalEnergies and the company has to date failed to commit to follow the Parliament's recommendations.

Commencement of drilling oil wells in the Kingfisher oil field

In January 2023, Ugandan President Museveni [launched](#) the first drilling at the Kingfisher oil field, switching on the rig that will drill the field's 31 oil wells. These include development wells, water injection wells and production wells. The drilling prepares the field for commercial production, which is expected to commence in 2025.

As a response, a broad African coalition led by organisations from Uganda and the DRC issued a [communiqué](#) to express their concerns about the development and call on the Ugandan government and its partners to invest in modern, sustainable energy solutions instead of the Kingfisher, Tilenga, EACOP and other oil projects.

“The European Parliament [...] calls for an end to the extractive activities in protected and sensitive ecosystems, including the shores of Lake Albert.”-

European Parliament Resolution

2. Finance and insurance updates

Finance promised by Islamic Development Bank and Afreximbank

In September 2022, the Islamic Development Bank [announced](#) a commitment to support for the EACOP project with a loan of USD 100 million. One month later, the African Export-Import Bank (Afreximbank) [announced](#) that it had approved a loan of USD 200 million for the implementation of the EACOP, during a meeting with President Museveni and Uganda's finance Minister, among others.

The project sponsors are [reportedly](#) seeking to arrange a project loan of between USD 2 and 3 billion to finance the USD 5 billion EACOP project. The remaining finance comes from the sponsors' own equity. As such, the commitments made to date meet only 10-15% of the total loan amount being sought.

The Islamic Development Bank's decision to financially support the EACOP was challenged in [a letter](#) signed by over 100 predominantly African organisations. Another [letter](#) was sent to Afreximbank, signed by 18 African organisations, calling upon the bank to withdraw its offer of providing financial support to the EACOP project and divert its resources to just and clean energy. To date, no response to these letters have been provided.

Number of banks and insurers ruling out support up to 24 and 23, respectively

Since June 2022, four more banks and 15 more insurers have ruled out support for the EACOP. Italy's largest bank, Intesa Sanpaolo, Germany's second-largest bank, DZ Bank, and Natixis from France, have joined the [growing list](#) of banks that have ruled out direct finance for the EACOP project, bringing the [total to 24](#). Spanish bank Santander is also understood not to be financing the project.

On the insurance side, QBE, Suncorp, Generali, Aspen and Helvetia have stated that they [will not be providing](#) insurance support to the EACOP. QBE and Suncorp are two of Australia's biggest insurers, while Generali is Italy's largest. In November 2022, the East African insurer Britam Holdings [decided](#) not to support the EACOP project after assessing of its compliance with the IFC Performance Standards, which underpin the Equator Principles. Cincinnati Global's syndicate at Lloyd's is the [latest](#) insurer to rule out support bringing the [total number](#) of insurers that have refused to provide their services to the EACOP project to 23.

Increasing pressure on banks and insurers

Banks and insurers that have not clearly distanced themselves from the project or that finance TotalEnergies or CNOOC are facing increased public pressure:

- Environmental organisation Stand.Earth is [calling on](#) the **Royal Bank of Canada** to divest from TotalEnergies over EACOP;
- In June 2022, **Deutsche Bank** CEO Christian Sewing [received a visit](#) from Fridays for Future activist Luisa Neubauer from Germany and Evelyn Acham from the Rise Up Movement in Uganda urging the bank to publicly distance itself from TotalEnergies over the EACOP project;
- Also in June, **SMBC**, one of the three financial advisers to the EACOP project, [faced questions](#) about the pipeline during its annual shareholder meeting;

- Also in June, [several actions](#) took place in the context of a [Global Day of Action](#) to increase the pressure in the run-up to the shareholder meeting of the **Industrial and Commercial Bank of China (ICBC)**, also a financial adviser to the EACOP. A Ugandan human rights defender also challenged ICBC and other Chinese firms on the incompatibility of supporting the EACOP project with their biodiversity pledges, in an op-ed in the [South China Morning Post](#);
- Also in June 2022, [thousands of people](#) from across the globe demanded on social media that insurer **Marsh** drop EACOP;

- Activists called on **investors** in TotalEnergies to divest from the company over EACOP concerns on its Investor Day in September 2022 [in the Hague](#);
- Insurers **Arch** and **Canopus** ruled out support for EACOP after months of continued pressure by people across the world in [November](#) and [December](#) 2022 respectively;
- In February 2023, campaigners around the world targeted **Standard Bank, SMBC, and Standard Chartered** in a [Global Day of Action](#) focusing on the project's non-compliance with the Equator Principles, with actions taking place in 19 cities on four continents. The same week, Lloyd's insurance syndicates [Talbot & Cincinnati](#) and global insurer [AIG](#) were the targets of demonstrations in, amongst others, London and New York. At the time of writing, a [petition](#) calling on four major insurers - Liberty Mutual, AIG, Chubb and Travelers - to refuse insurance for EACOP has 52,000 signatures.



Protest in Kampala, Uganda during the Global Day of Action in February 2023
Source: Derek Photography / 350.org



Action at the AIG headquarters in New York
Source: Adrian Childress

Risks for Japanese and Chinese banks set out in backgrounder and letters

Oil Change International, CIEL and #StopEACOP produced a [backgrounder](#) specifically for Japanese banks. The backgrounder highlights the significant Environmental, Social, and Governance (ESG) risks of the project, the reputational and financial risks to Japanese banks, and calls on Japanese banks to avoid financing the EACOP project. The backgrounder was accompanied by a [letter](#) sent to the President and Board of Directors of the Sumitomo Mitsui Banking Corporation (SMBC) and its parent company SMBC Group to urge them to cease SMBC involvement in the EACOP.

AFIEGO, CIEL, Inclusive Development International and BankTrack also sent a [letter](#) to the Chairman and the Members of the Board of Directors of ICBC. The letter details the ESG risks of the project as well as the legal, financial and reputational risks being involved in the project poses to ICBC. The organisations call on the ICBC Board of Directors to among other things publicly disclose ICBC's current role in the EACOP and cease any ICBC involvement they might have. So far no response to the letter has been provided.

PR firm Edelman ends relationship with Standard Bank

In August 2022, PR firm Edelman was [reported](#) to have ended its relationship with Standard Bank over its involvement in the EACOP. Edelman refused to provide reputation management services to the bank related to its financing for EACOP, illustrating the concrete reputational risks to banks of involvement with the pipeline.

3. Legal risk updates

Legal risks and proceedings against TotalEnergies piling up

Since the previous risk update, Total has been confronted with another legal challenge not directly related to EACOP. In January, it was [announced](#) that the Nanterre public prosecution office in France is investigating a complaint against Total [filed by](#) environmental NGOs Wild Legal, Sea Shepherd France and Darwin Climax Coalitions in October 2020 over “misleading commercial practices”, or so-called greenwashing.

Duty of Vigilance case dismissed on procedural grounds but CSOs considering next steps

In December 2022, Total was [back in court](#) in France for the lawsuit filed by Friends of the Earth France, Survie and four Ugandan NGOs (AFIEGO, CRED, NAPE/Friends of the Earth Uganda and NAVODA) for breaches of the Duty of Vigilance Law. The court dismissed the claim on procedural grounds, [ruling](#) that the lawsuit was inadmissible on the basis that the current claims were “substantially different” from the claims made in the initial formal notice sent to the defendant. This does not mean that the court ruled in favour of TotalEnergies, since the court did not rule on the merits of the case. The civil society organisations that filed the lawsuit dispute that they have substantially modified their claims and are considering next steps following this judgement.

Hearing at the East African Court of Justice (EACJ)

On November 11, 2022 in Kampala, the EACJ [heard](#) the case against EACOP filed by Ugandan, Kenyan and Tanzanian organisations. The purpose of the hearing was to set the framework, procedures and guidelines for the case. Another [hearing](#) took place on April 5th during which the court heard arguments for and against the objection to the court’s jurisdiction filed by the Secretary General of the East African Community, the Republic of Tanzania and Republic of Uganda. The organisations that filed the case are seeking to block the construction of the EACOP over environmental and human rights concerns.

Non-judicial complaint against insurance broker Marsh to the US NCP

In May last year, the Bureau of Investigative Journalism and the Financial Times [revealed](#) that US insurance broker [Marsh McLennan](#) is arranging the insurance coverage for EACOP. In response, over ten Ugandan, Tanzanian and US-based human rights and environmental groups have [lodged a formal complaint](#) to the US National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises, a first for an insurance broker anywhere in the world. The [complaint](#) alleges that by providing insurance brokerage services, without which the EACOP could not move forward, Marsh is contributing to the serious harm that the project has already or is expected to cause, which constitutes a breach of the company’s responsibilities under the OECD Guidelines.

4. Human rights impact updates

Impacts and voices of affected community members further documented

Impacts of the EACOP project on affected community members are set out in several new documentaries and publications. These include:

- A [short documentary](#) by Uganda's AFIEGO about the suffering of communities and the impacts on the Bugoma forest from oil development in Uganda. The documentary includes testimonies of community members explaining the consequences of the cut-off dates for compensation, the delay in compensation (which has still not been received) and the degradation of the Bugoma forest. These consequences include loss of income, sometimes forcing community members to borrow from money lenders to meet basic needs;
- The documentary [EACOP: a crude reality](#), which features the testimonies of communities directly affected by the project regarding the threats it poses to livelihoods, sensitive ecosystems and the climate;
- An [op-ed](#) from a Ugandan farmer, Rachael Tugume, in Hoima district whose land is being acquired for the pipeline. She explains that the cut-off dates, which prevented her from planting perennial food and cash crops, have led to a loss of income, leaving her unable to meet her family's basic needs or pay her children's school fees.
- An [article](#) with interviews with EACOP-affected community members who say that their properties have been undervalued, that they have been under-compensated and that they were intimidated into signing compensation papers for their land and properties.
- Community voices were also documented in several pieces of high-profile media coverage, including investigations by [The Guardian](#) and [The New York Times](#).

In addition, a [new field investigation](#) into the impacts of the EACOP in Tanzania was launched in October. The [report](#) by Friends of the Earth France and Survie includes new testimonies of 73 Project-Affected People (PAPs) affected by the EACOP project in Tanzania and compiles findings from different experts on the environmental and climate risks. The findings of the report include:

- The project has “deteriorated communities’ quality of life over the long term” due to undervaluation of property, especially land;
- At the time of publishing, according to figures given by Total, 86% of PAPs in Tanzania, around 53,000 people, have been waiting on compensation for over three years;
- PAPs are restricted by the EACOP project company and subcontractors from conducting any activities on their land, such as cultivation, leading to a loss of income and food shortages;
- Because of the loss in income, many families are unable to afford to pay for their childrens’ education, leading to important school dropouts in the EACOP project-affected areas;
- There is even less freedom of expression for local populations and more restrictions for civil society organisations compared to Uganda;
- The project poses risks to the environment in Tanzania, particularly the Tanga port area where the pipeline ends, including irreparable damage to biodiversity such as marine life in the Indian ocean in case of an oil spill. The Indian Ocean area is prone to tsunamis and cyclones, increasing the risk of an oil spill.

More arrests of concerned Ugandan citizens

Ugandan authorities continue to crack down on opposition to the project. In October 2022, nine human rights defenders were [arrested](#) during a peaceful march to the European Union offices in Kampala. They were planning to deliver a petition in support of the European Parliament resolution. The defenders were charged with “common nuisance” in December, and were being tried in Uganda’s High Court by March 2023.

On [another occasion](#) in January 2023, human rights defender Bob Barigye was arrested and detained at a Police Station. Barigye was organising a debate on the impact of the EACOP project when police blocked the debate venue and arrested him. He was released on police bond four days after his arrest and was charged with “obstruction of a police officer on duty”.

The experiences of Bob Barigye, human rights activist and lawyer Maxwell Atuhura, and CEO of AFIEGO Dickens Kamugisha, who have also been subject to arrest and detention, are set out in [an article](#) in which they talk about the tactics used by the government to target the leaders of Uganda’s climate movement and about undergoing psychological torture used by the police during detention. In the article, Bob Barigye comments “we are looked at as the enemies of the state. The police now prefers psychological torture because physical torture will create bad publicity around the oil pipeline project.”

The arrests continue a pattern of intimidation and harassment by Ugandan authorities of those who raise concerns around the oil project, which has sparked high-level concerns from UN Special Rapporteurs, as detailed in previous Risk Updates. UN Special Rapporteur on human rights and the Environment David R. Boyd also [raised](#) the case of Robert Barigye’s arrest on Twitter.

“We are looked at as the enemies of the state.

The police now prefers psychological torture because physical torture will create bad publicity around the oil pipeline project.” -

Bob Barigye, human rights defender

Suspension of UN human rights office in Uganda

In February 2023, the Ugandan government [ended](#) the mandate of the Office of the United Nations High Commissioner for Human Rights (OHCHR) in Uganda. The Ministry of Foreign Affairs indicated that the government of Uganda would henceforth cooperate with the OHCHR Headquarters either directly or through its Permanent Mission in Geneva. The decision was [condemned](#) by human rights advocates and politicians in Uganda and abroad and raises the risk that the situation for human rights defenders raising concerns about EACOP and other projects could deteriorate further.

5. Nature and biodiversity impact updates

Oil infrastructure causes disturbance in Murchison Falls Park

Developments such as asphaltting and broadening roads, the increased presence of oil trucks and an increase in noise and vibrations are already impacting wildlife in the park. Park rangers [observe](#) that the newly paved roads have made access and speeding for trucks easier, leading to an increase in road kill. Tree canopies that previously covered a dirt road used by baboons and monkeys were [destroyed](#) for a new oil road. The construction of roads has also created mounds in some areas that are hard to navigate for some animals.

The increase in noise and vibrations worries rangers as it risks [scaring away](#) elephants and isolating them, fostering breeding within communities and weakening gene pools. According to news reports, construction has driven elephants and other animals into villages, destroying crops, damaging property, and threatening peoples' safety.

Besides impacting wildlife, the oil developments also already have an effect on the [tourist experience](#) in the park. The tarmac diminishes the wilderness experience, there are fewer monkeys and baboons visible because

of the destroyed tree canopy, and crocodiles that could previously be seen in the River Sambia are now covered by a bridge built as part of the oil infrastructure. In a recent [interview](#) with the New York Times, one Ugandan tour guide who has been taking visitors to Murchison Falls for two decades commented, "It's a tragedy. [...] This park will never be the same again."

Concerns raised with Ramsar Wetlands Committee-Uganda

On February 15, fifteen Ugandan environmental and human rights civil society organisations sent a [letter](#) to the Ramsar Wetlands Committee in Uganda and the Ugandan Ministry of Water and Environment. In their letter, they set out how the EACOP and the Tilenga oil project threaten important Ramsar wetlands in Uganda. They urge the Ramsar Committee to engage the Ugandan President, Minister of Energy and Mineral Development, Uganda National Oil Company, the Petroleum Authority of Uganda (PAU), TotalEnergies and China National Offshore Oil Corporation (CNOOC) to stop any oil activities that are affecting or could affect Ramsar wetlands in Uganda.



Preparation for the first drilling within Murchison Falls National Park

Source: Thomas Bart

6. Conclusion

As the evidence of human rights, environmental, and climate impacts continues to pile up, and opposition to the pipeline grows stronger locally and globally, the legal, financial and reputational risks facing prospective financiers and insurers continues to escalate.

The level of public controversy and severity of impacts associated with this project also poses risks to the project sponsors, TotalEnergies and China National Offshore Oil Company (CNOOC) and their financiers.

Therefore, we strongly advise financiers, insurers and investors exposed to TotalEnergies and CNOOC to engage robustly with the companies to push for an end to the project. In addition, we advise and call upon these entities to engage with the governments of Uganda and Tanzania to support an energy future for East Africa that does not rely on oil or other fossil fuels, but rather on clean and rights-compatible renewable energy development, and to scale up their own financial support for clean energy in the region, in line with Just Transition principles.

Contact

Banks and other financial institutions wishing to confidentially discuss the issues raised in this update can contact us via the following channels.

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This update has been written by BankTrack and is endorsed by: Africa Institute for Energy Governance, Both ENDS, Inclusive Development International, Just Share, Insure our Future and Center for International Environmental Law.

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