



RepRisk Special Report on Tar Sands

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In recent years, tar sands operations, also commonly referred to as oil sands, have become increasingly controversial. Tar sands are a combination of sand, clay, water and crude bitumen, which exist in either a partial or fully-solid state. They are one of several unconventional forms of oil that companies have begun extracting and processing due to technological developments and the ever-increasing demand for fuel resources. Reportedly, tar sands make up the second largest oil reserves in the world and the largest deposits can be found in the Canadian province of Alberta and in Venezuela's Orinoco belt region.

Many companies involved in oil extraction and production from tar sands have faced severe criticism from environmentalists due to the alleged contribution to climate change, extensive water consumption, problems with waste management, and potential for enormous damage to local ecosystems in the event of a pipeline spill. According to a 2010 Friends of the Earth report, tar sands production releases on average up to five times more emissions per barrel than conventional oil. This is due to the extensive extraction and upgrading processes necessary to turn it into synthetic crude. Furthermore, in several regions local indigenous groups have claimed that operations threaten their traditional way of life and their livelihoods. It is also interesting to note that over the past few years, in addition to campaigning against the oil companies involved, activists have increasingly targeted banks that finance tar sands operations. The increasing public outcry and related negative publicity has apparently spurred several multinationals into taking action, with reports of attempts to rebrand their operations and clean up their image through the use of terms such as "enhanced oil projects".

This report highlights several countries where exploration or operations are currently underway and the various companies engaged in these regions. It also brings to light the impacts of several such projects, as described by independent sources and captured by RepRisk.

The countries focused on are:

Canada, United States of America, Republic of the Congo, and Venezuela. Other countries where RepRisk detected criticism about tar sands include Madagascar, Russia and Jordan.

Criticized companies include: **BP, Canadian Oils Sands Ltd, Chevron, CNPC, Conoco Phillips, Earth Energy Resources, Enbridge, EnCana, Eni SpA, Exxon Mobil, Imperial Oil, Royal Dutch Shell, Syncrude Canada, Statoil, TransCanada, Total, and Petroleos de Venezuela.**

Full reports on each company mentioned in this report are available for purchase from our Webshop. Please visit: www.reprisk.com/webshopsearch

All information has been taken from the RepRisk database, which objectively monitors the level of criticism related to environmental, social and governance issues to which a company is exposed in the media and other public sources. It also quantifies the negative news collected through its RepRisk Index (RRI). For more information about our methodology, please refer to page 6.

Tar Sands Operations in Canada

Over the past few years, RepRisk has detected a great deal of criticism on the Alberta tar sands projects in Canada. As recently as July 2011, an activist group announced plans to target Exxon Mobil, ConocoPhillips, Canadian Oil Sands Ltd, and Imperial Oil, among others. The activists accused these companies of failing to report greenhouse gas pollution data and suppressing media coverage concerning the impacts of the tar sands on indigenous populations. The controversy surrounding such production is further evidenced by reports in May that the European Union would consider a ban on petroleum from Canada's oil sands due to the high levels of emissions produced during operations.

In April 2011, local authorities in Alberta filed 19 lawsuits against Statoil for allegedly having violated permits in relation to its water usage and giving false or misleading information on water use for drilling and transport routes in its Leismer oil sands project. In August 2011, a Norwegian politician urged Statoil to pull out of its project, stating that tar sands are the 'dirtiest way to produce oil'.

Royal Dutch Shell has constantly come under fire for its investments in Alberta, and in particular for one of its Athabasca projects at its Annual General Meeting in early 2011. Here, a member of a local First Nations group claimed the company had violated the rights of the indigenous community and that its operations would have a detrimental impact on their society and culture for generations to come.

There has also been much controversy surrounding Syncrude Canada, which operates the Syncrude Oil Sands Project near Fort McMurray, Alberta. In 2010, Syncrude reportedly agreed to pay close to USD 3 million in penalties related to the death of 1,600 ducks. The company was found guilty of failing to prevent migratory birds from landing on its Aurora tailings pond, which contained oily residue that caused their death.

In 2010, BP also came under fire for its investments and development plans for the Sunrise Oil Sands project in Alberta. In the same year, the Royal Bank of Canada (RBC) was criticized by local groups for its support of an Alberta oil sands project, with claims that RBC is the world's biggest funder of the tar sands.

Back in 2008, Syncrude's Aurora North Tar Sands facility was the scene of Greenpeace protests against its activities, which were said to rob freshwater resources, contribute to climate change, pollute the local environment, and poison local communities. Furthermore, the Syncrude Oil Sands projects in Alberta were linked to increased rates of rare cancers amongst aboriginal people in Fort Chipewyan.

Another major concern has been pipeline construction related to tar sands operations. It has been alleged that an Enbridge company's USD 5.5 billion Northern Gateway Project, scheduled to open in 2016, will endanger wildlife habitats and could have a devastating effect on river ecosystems in the event of a spill. Concern has also been expressed that affected indigenous groups are not being properly informed or consulted, in violation of international agreements. It was further reported that it will open the area to the Asian market, with China's Sinopec reportedly investing in the project.

Companies engaged in Tar Sand Operations in Canada include:

- BP
- Canadian Oil Sands
- ConocoPhillips
- Enbridge
- Exxon Mobil
- Imperial Oil
- Royal Dutch Shell
- Sinopec
- Syncrude Canada
- Statoil

Most Controversial projects related to Tar Sands Operations in Canada (Alberta)

- Athabasca Projects
- Aurora North Tar Sands Project
- Fort McMurray Oil Sands Project
- Leismer Tar Sands Project
- Northern Gateway Project
- Sunrise Oil Sands

Tar Sand Operations in the United States

Much of the criticism detected by RepRisk in relation to tar sands and the US focuses on operations linked to Canadian tar sands. This includes issues such as pipeline construction, processing plants, waste disposal and transportation of machinery. For example, in July 2011, TransCanada came under fire for its plan to extend the Keystone Pipeline with its Keystone XL Expansion Project to the US Gulf Coast to widen the market for oil sands companies. This plan has apparently been stalled by a series of leaks and related warnings from the US Environmental Protection Agency. At the end of the same month, the US House of Representatives approved a bill to expedite the decision-making process for the pipeline project, forcing the Obama administration to either approve or deny the proposal by November 1, 2011. Opponents of the project, including the World Wildlife Fund (WWF), claim it would bind the United States to an 'unnecessary and dirty' form of oil in the long term because oil sands generate more greenhouse gases than regular oil.

RepRisk found reports claiming the 42,000-gallon oil spill in early July 2011 in the Yellowstone River could allegedly have been caused by oil from Canada's tar sands. This oil is apparently heavier and more corrosive and could therefore have been responsible for the damage to Exxon's Silvertip Pipeline.

Furthermore, in May 2011, RepRisk also found that TransCanada's Keystone pipeline reportedly spilled 500 barrels of oil at a gas station in North Dakota. According to a representative of the Natural Resources Defense Council, the spill suggests that some of the company's equipment may not be sufficiently engineered for oil-sands crude.

In July 2011, an activist group announced plans to target Exxon Mobil, ConocoPhillips, Canadian Oil Sands Ltd, Imperial Oil, and others by gathering along US Highway 12 in Montana to protest the transformation of a wilderness area into an industrial shipping route, bringing "megaloads" of refinery equipment to the Alberta Tar Sands in Canada.

In March this year, environmentalists petitioned Utah's Department of Environmental Quality to review its issuance of a permit to Earth Energy Resources for a tar sands project, the PR Springs Mine. Critics highlighted the grave potential damages these plans could have on the environment. According to reports, the oil sand operations will dig up fragile topsoil, destroy limestone plateaus, and pollute groundwater that flows downstream into the Colorado River.

BP has also been involved in tar sands development. Its expansion plans for the Whiting Refinery in Indiana, which will process tar sands oil from Canada, has come under fire from critics. Allegedly, the expansion would contribute to climate change and there are concerns that the operations' waste, which includes sulfur, acids, and heavy metals, would be dumped into Lake Michigan and affect drinking water.

In 2010, activist groups in Oregon, Idaho and Montana said they planned on stepping-up resistance to tar sands expansion projects operated by companies like Exxon and Conoco Phillips. In the same year, local activists denounced the actions of EnCana and its subsidiary, Cenovus Energy, for attempting to rebrand the term "tar sands". Reportedly, the industry spent USD 25 million on a public relations campaign to clean up the image of their operations.

Companies engaged in Tar Sand Operations in the US include:

- BP
- Exxon Mobil
- Cenovus Energy (EnCana subsidiary)
- Imperial Oil
- Conoco Phillips
- TransCanada
- Earth Energy Resources

Most controversial projects related to Tar Sands operations in the US:

- Keystone pipeline (North Dakota)
- PR Springs Mine (Utah)
- Silvertip Pipeline (Wyoming)
- Whiting Refinery (Indiana)

Tar Sands Operations in the Republic of the Congo

In May 2011, Eni SpA came under fire for its plans to develop tar sands operations in the Republic of the Congo. A report financed by the EU and entitled "*Marginal Oil - What is driving oil companies dirtier and deeper?*" evaluated the expansion of investment in more unconventional and usually more carbon-intensive modes of oil extraction, such as tar sands, heavy oil, and conventional oil in frontier locations. The report indicated that the growth of these industries could have potentially disastrous local and global effects in relation to communities and the environment.

Back in 2009, RepRisk had already detected negative news related to Eni's investments in the Republic of the Congo, where the company reportedly had gained a license to develop Africa's first tar sands project, with a concession for approximately 1790 square kilometers near Pointe-Noire.

At that time, NGOs, including the Heinrich Böll Stiftung, issued a report criticizing the company's plans, stating its tar sands zone covered up to 70 percent of Congolese rainforest and other environmentally sensitive areas and would thus threaten nearby communities, local ecosystems, and the climate.

The report claimed that in pursuing the project, Eni would breach its own environmental and human rights guidelines, which do not allow operations on primary tropical forest or populated land.

Furthermore, there were claims that Eni's environmental impact assessment drastically underestimated the impacts the project would have, including the threat posed by greenhouse gas emissions released in the production process.

Companies engaged in Tar Sand Operations in Congo include:

- Eni SpA

Most controversial projects related to Tar Sands Operations in the Republic of the Congo:

- Eni Tar Sands Project

Tar Sands Operations in Venezuela

In May 2011, Petroleos de Venezuela (PDVSA), among other companies, was criticized for its tar sands operations in the Orinoco Belt in Venezuela in the report entitled *"Marginal Oil - What is driving oil companies dirtier and deeper?"*. The Eastern Orinoco Oil Belt is a tar sands oil field that covers an area of more than 55,000 square kilometers along the southern strip of the Orinoco River Basin. This is the second largest extra-heavy oil deposit in the world, after Canada. The Venezuelan state oil company, PDVSA, is in charge of operations. The report lists several foreign oil firms with production already underway, including Chevron, CNPC, Statoil, Total and BP. Some of these are reportedly considering further expansion of their operations. For example, BP, which is active on the Petromonagas block, is looking at a stake in the Ayacucho 2 block.

According to critics, in this region, where both land and aquatic ecosystems have been described by UNESCO as having significant biological diversity, the construction of the infrastructure necessary for extraction and pre-processing, together with the required transportation networks for waste, may prove highly ecologically unsound. Concern has further been expressed that poor governance and lack of transparency means that such projects are not properly monitored for compliance with environmental regulations and their own impact assessments, that revenues are not appropriately distributed, and that indigenous communities are not consulted in accordance with the country's legislation.

Companies engaged in Tar Sands Operations in Venezuela:

- BP
- Chevron
- CNPC
- Statoil
- Petroleos de Venezuela (PDVSA)
- Total

Most controversial projects related to Tar Sands Operations in Venezuela (Orinoco belt):

- PetroAnzoategui (PetroZuata)
- Petrocedeno (Zuata)
- Petroplar (Hamaca)
- Petromonagas (Cierro Negro)

Methodology

RepRisk special reports are compiled using information from the RepRisk database, which consists of negative news on companies' environmental, social and governance performance. The RepRisk database currently contains criticism on more than 19,400 companies and holds news from thousands of sources, ranging from commercial newspapers and online media to NGO websites, blogs and newsletters. Once the negative news has been identified with advanced search algorithms and analyzed for its novelty, relevance and severity, risk analysts enter it into the database and link it to the companies in question. No news is entered twice unless it has been escalated to a more influential source, contains additional information, or has not appeared for the past 6 weeks. This helps to ensure the balanced and objective rating and weighting of the negative news, and thus the company's quantitative measure of risk exposure, the RepRisk Index (RRI). The RRI measures the risk to a company's reputation, not its actual reputation in general.

RepRisk objectively monitors the level of criticism to which a company is exposed. All data is collected and processed through a strictly rule-based approach; it is not the result of an assessment, rating or verdict from our analysts.

For more information about the RepRisk tool or this report on Tar Sands Operations, please contact Karen Reiner at reiner@reprisk.com, ph: +41 43 300 54 48, or visit our website: www.reprisk.com.

About RepRisk

RepRisk is the leading provider of dynamic data on environmental and social risks for an unlimited universe of companies and projects. The company's web-based tool, RepRisk, allows you to identify and assess the environmental, social and governance issues which may present financial, reputational, and ethical risks. It is used by investment professionals, financial institutions, supply chain managers, multinational corporations, and compliance managers, and includes a variety of features enabling clients to monitor risk trends over time, create customized watch lists, tailor alert services, and more. The tool plays an integral role in increasing transparency and ensuring compliance with internal and international standards, thereby helping reduce risk exposure.

RepRisk's comprehensive and relevant database enables you to meet the risk management and compliance challenges in an increasingly complex world. On a daily basis, RepRisk tracks a company's or project's environmental and social risk exposure by monitoring independent third-party sources such as all major print media, over 800 NGOs, newsletters, news sites, governmental agencies and blogs. Controversial issues covered include environmental footprint and climate change, human rights and community relations, labor conditions and employee relations as well as corruption and money-laundering. In particular, all principles of the UN Global Compact are addressed. RepRisk covers all major business languages (English, Chinese, Japanese, Korean, French, German, Spanish, Portuguese, and Russian) as well as Danish, Finnish, Swedish and Norwegian, and its database currently includes over 19,900 companies and 4,500 projects, and is updated and growing daily.

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