

Let's Talk About Fracking:

The impact of fracking on indigenous and affected communities and how investors can engage with banks.

1) Introduction

In October 2022, ShareAction along with other NGOs facilitated an [‘indigenous voices against fracking’](#) tour across Europe. Three people from affected communities in the US and Texas on the frontlines of fracking projects – Bekah, Christopher, and Oli – met with financial institutions including Barclays, HSBC and Credit Suisse to discuss the issues they are facing.



The aim of this briefing is to introduce investors to some of the issues that communities affected by fracking can face. These environmental and social issues can pose significant risks to investors. We explore the connections between the environmental and social impacts of projects in two specific areas, to help investors engage with banks on these topics.

2) The impacts of fracking on communities in Texas and Mexico and the companies and banks involved

Bekah Hinojosa is an organizer and artist, and Christopher Basaldu PhD, Esto'k Gna of the Carrizo Comecrudo Nation, is an academic and activist. They come from the Brownsville and Corpus Christi region of Texas. Both are fighting against the planned Rio Grande LNG terminal owned by NextDecade and the Texas LNG terminal owned by Glenfarne Group in the Rio Grande Valley.

Companies that have [agreed contracts to buy this gas](#) include Shell, ExxonMobil, and Engie. These projects will be fed by two potential gas pipelines, the Rio Bravo pipeline and the Valley Crossing pipeline, both owned by Enbridge. Enbridge has caused controversy in recent years over its Line 3 pipeline, and in 2021 the United Nations issued a letter to the US government regarding Enbridge's [violations of indigenous people's human rights](#).

Oliveria (Oli) Montes Lazcano is, from the indigenous community of Zoyatla de Guerrero, is the Coordinator of the National Institute of Indigenous Peoples in the region of Huachinango

Puebla, Mexico. Oli is protecting her community from the advancement of the Tuxpan-Tula pipeline, which is owned and operated by TC Energy, formerly TransCanada. The Tuxpan-Tula pipeline is part of a network of pipes that transports fracked gas from Texas and across Mexico. Barclays, Credit Suisse and HSBC have provided significant finance to the companies involved in these projects.

Table of financing to fossil fuel companies 2016-2021 from Banking on Climate Chaos

| Company | Enbridge | TC Energy | Exxon Mobil | Shell | Engie | China Gas | Pemex / Petroleos Mexicanos |
|------------------------|--|---------------------------|---------------------|---------------------|---------------------|---------------------|-------------------------------------|
| Related project | Rio Bravo & Valley Crossing pipelines (TX) | Tuxpan-Tula pipeline (MX) | Rio Grande LNG (TX) | Rio Grande LNG (TX) | Rio Grande LNG (TX) | Rio Grande LNG (TX) | Fracking in San Luis de Potosi (MX) |
| Barclays | \$1.68B | Yes* | \$12.99B | \$6.75B | \$255M | - | \$1.44B |
| Credit Suisse | \$1.32B | Yes* | - | \$400M | - | \$962M | \$91M |
| HSBC | \$420M | \$1.12B | \$7.49B | \$5.96B | \$340M | \$801M | \$6.55B |

* Data not available in BOCC, but provided by BankTrack.

3) The environmental, social and human rights risks associated with fracking

a) Environmental & social risks

The Rio Grande Valley, on the southern tip of the United States bordering Mexico, is one of the last pristine areas of the Texas coastline. According to Bekah’s analysis, if built, the LNG terminals and pipelines would contribute to the expansion of hazardous fracking in the Eagle Ford and Permian shale basins in Texas and bring with it the risks of hydraulic fracturing.¹

According to a report by Sierra Club, Rainforest Action Network and community groups, the projects would be built across wetlands, which would divide a national wildlife corridor and damage ecosystems.² This could result in “permanent and significant” impacts on local species such as the endangered ocelot, the Rice’s Whale and Kemp’s Ridley sea turtle. There are also health and social impacts posed from the harmful pollutants that would be released into the air, and potential degradation of local fishing, shrimping and nature tourism industries.

¹ https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-10/RGV_LNG_2022_FINAL_WEB_0.pdf

² https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-10/RGV_LNG_2022_FINAL_WEB_0.pdf

Bekah and her campaigning group are also concerned about the wider climate impacts and have calculated these projects would create the same carbon emissions as over 40 million cars on the road per year.³ Bekah recently said in an interview “We’re already experiencing climate disasters like hurricanes and really bad flooding throughout the year. We are an impoverished community of mostly brown folks, mostly indigenous people,”⁴ Bekah and Christopher made the point to banks that it would not only be their communities suffering from these projects but many other marginalised communities and those in the global south that are on the front lines of climate change.

Oli and the communities resisting the Tuxpan-Tula pipeline have serious concerns about the damage that could be done to the mesophilic mountain forest and local aquifers. This is a particular problem as the local ecosystem is centred on water, which has important communal and sacred dimensions for the local indigenous people who live in these “water territories.”⁵ This demonstrates the interconnections between risks. ShareAction recently found that banks often fail to take a holistic approach by not identifying climate-related biodiversity and social risks⁶. Banks could improve by taking a holistic approach to reflecting these in their critical risk management processes and when conducting due diligence on clients or transactions.

b. Free, Prior, Informed Consent (FPIC)

FPIC is a key process through which indigenous peoples should be able to assert their sovereignty and self-determination, and it is a right recognised in the United Nations Declaration on the Rights of Indigenous Peoples (UNDRIP).⁷

Oli felt that no prior consent was sought from her indigenous community. The first time they became aware of the project was when contractors visited the village to make assessments of which homes would need to be knocked down. Oli and the group that came together to fight against the project struggled to get the information they wanted from the company. She explained that when the company finally came to ‘consult’ with the community, they brought with them guards to man the entrances and exits of the venue. Oli also recounts that gangs connected to the company intimidated members of her community. Intimidation is a common theme for communities dealing with the expansion of extractive industries into their territories, and it undermines the communities’ ability to choose freely. Overall, Oli said that her community were not given the opportunity or the right conditions to give consent.

Many European banks have committed to FPIC in their sector policies and/or claim to embed it in their Enhanced Due Diligence processes. However, it’s the company’s responsibility to demonstrate whether it has committed to FPIC publicly and/or implemented it. Oli’s experience highlights how affected communities’ local reality might diverge from companies. Banks should

3 https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-10/RGV_LNG_2022_FINAL_WEB_0.pdf

4 <https://www.politico.eu/sponsored-content/gas-terminals-threaten-coastal-communities/>

5 <https://grain.org/en/article/6788-lessons-from-the-communities-of-the-puebla-hidalgo-sierra-in-mexico-that-resist-a-tc-energy-gas-pipeline>

6 https://api.shareaction.org/resources/reports/ShareAction_Banking_Survey_2022-final.pdf

7 <https://www.ienearth.org/wp-content/uploads/2021/09/Indigenous-Resistance-Against-Carbon-2021.pdf>

ensure that the information provided to them by companies on FPIC is verifiable and accurate. This could include the banks proactively engaging with local communities, and introducing easily accessible and user-friendly grievance mechanisms, which would allow affected communities to raise their concerns with the banks directly.

Christopher, a member of the Carrizo Comecrudo Tribe, claims that the companies in charge of Rio Grande Valley projects have committed indigenous rights violations. In meetings with financial institutions, he talked about how his tribe had not been properly consulted by the companies involved and how the proposed Texas LNG terminal site would be built on a sacred burial site. The Carrizo Comecrudo Tribe, which has approximately 1,500 members, has not been officially recognised as a formal tribe by the State of Texas or the federal government.⁸ Christopher spoke about how this adds to the history of injustices his people have faced and means they do not have the same rights to FPIC and other protections. Christopher's experience shows the need for banks to consider policies that go beyond committing to FPIC and consider all affected communities when making financing decisions.

8 <https://indigenoustmexico.org/southwest-us/texas/the-indigenous-groups-along-the-lower-rio-grande/>

4) The involvement of European Banks in the fracking industry

Top 10 European banks financing fracking and the banks fracking policies⁹

| Bank | 2016-2021 | Fracking Asset Finance | | Fracking Corporate Finance | |
|--------------------------|------------|--|---|------------------------------------|------------------|
| | | <i>Upstream</i> | <i>Midstream</i> | <i>Threshold</i> | <i>Midstream</i> |
| Barclays | \$28.834 B | Partial (UK & EU only) | No | Yes (UK & EU) 50% revenues* | No |
| Credit Suisse | \$15.352 B | No | No | No | No |
| Deutsche Bank | \$7.740 B | Partial (only in countries with high water stress) | No | No | No |
| BNP Paribas | \$6.205 B | Yes | Yes (technical exception**) | Yes 10% reserves or revenues*** | No |
| Societe Generale | \$6.033 B | Yes | Partial (LNG terminals and trading but not pipelines) | Yes 30% production or revenue | No |
| HSBC | \$5.422 B | No | No | No | No |
| Crédit Agricole | \$4.738 B | Yes | No | Yes 30% activity | No |
| BPCE/ Natixis | \$2.894 B | Yes | No | Yes 25% activity | No |
| UBS | \$2.785 B | No | No | No | No |
| BBVA | \$2.015 B | No | No | No | No |

*Estimate based on the use of “primarily engaged”

**Excludes pipelines transporting a significant volume of unconventional oil and gas

***Exception for companies with credible transition plans based on clear criteria

⁹ Financial data from: https://www.bankingonclimatechaos.org/wp-content/themes/bocc-2021/inc/bcc-data-2022/BOCC_2022_vSPREAD.pdf

Policy data from: <https://shareaction.org/reports/in-debt-to-the-planet>

Our latest [banks survey](#) has shown that banks have been much slower to adopt fracking related restrictions relative to other types of unconventional oil and gas, such as Arctic oil and gas and oil sands, despite fracking being the biggest unconventional segment for all 10 banks listed above.¹⁰ For example, Credit Suisse restricts corporate finance to oil sands and Arctic oil and gas but not fracking, despite the fact that it provided 17 and 30 times more financing to fracking than oil sands and Arctic oil and gas respectively between 2016 and 2021.¹¹

Some banks have started taking steps to restrict financing to companies highly exposed to fracking activities. However, analysis by the Global Oil and Gas Exit List (GOGEL) has shown that many diversified companies have significant exposure to fracking¹² For example, a 30 per cent production threshold would fail to capture four of the world's top 20 fracking producers (in mmmboe) who operate below this threshold.

In our recent analysis of the largest 25 European banks, only one bank – BBVA – implements a general exclusion for clients involved in violating the rights of Indigenous groups without their free, prior, and informed consent. 16 out of 25 banks do not put any firm requirements on their clients to obtain FPIC and half of these do not even reference the FPIC principle at all in their policies.¹³

5) How investors can engage with banks on fracking related issues

Investors need to urgently consider the climate impacts that the expansion of fracking brings and the wider impacts on indigenous and affected communities. These include environmental, social and community impacts, health risks and damage to local ecosystems, indigenous rights violations and the risk of failing to adhere to FPIC. These risks could translate into reputational and financial risks for banks financing these projects and their investors.

Engagement questions for investors

- Do banks explicitly commit to the principle of FPIC for Indigenous peoples and affected communities?
- Is this commitment reflected in sector policies, such as by excluding projects and clients that violate FPIC?
- How does the bank assess if FPIC has been adhered to properly? Does the bank only rely on information from its client, or does it also seek out alternative sources of information?
- Does the bank have a mechanism for indigenous and affected communities to raise a grievance?
- Does the banks fracking policy cover asset finance and corporate finance restrictions for both upstream and midstream?

¹⁰ https://www.bankingonclimatechaos.org/wp-content/themes/bocc-2021/inc/bcc-data-2022/BOCC_2022_vSPREAD.pdf

¹¹ https://api.shareaction.org/resources/reports/ShareAction_Banking_Survey_2022-final.pdf

¹² <https://gogel.org/>

¹³ https://api.shareaction.org/resources/reports/ShareAction_Banking_Survey_2022-final.pdf

We recommend that investors take the following steps:

- Engage with their bank holdings on the matters raised by this briefing or any of the resources below.
- Raise any concern it has publicly by asking an AGM question.
- Write a letter to or engage directly with these banks considering the questions outlined.
- Contact Kelly Shields, Campaign and Project Manager, to have a call to discuss these issues further (kelly.shields@shareaction.org).

Further resources

Rio Grande Valley: At risk from fracked gas export terminals

https://www.sierraclub.org/sites/www.sierraclub.org/files/2022-10/RGV_LNG_2022_FINAL_WEB_0.pdf

Indigenous resistance against carbon

<https://www.ienearth.org/wp-content/uploads/2021/09/Indigenous-Resistance-Against-Carbon-2021.pdf>

Fracking Boom Real Costs

<https://www.frackingboomrealcosts.org/analog-2/>

Territories of Water: The protection of community areas in the Sierra de Puebla-Hidalgo and the shared history of its peoples [only available in Spanish].

<https://grain.org/system/articles/pdfs/000/006/784/original/Libro%20completowebCECCAMv1.pdf?1639579631>

In Debt to the Planet: An assessment of the 25 largest European banks' biodiversity and climate strategies https://api.shareaction.org/resources/reports/ShareAction_Banking_Survey_2022-final.pdf

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ShareAction»

ShareAction is a registered charity working globally to define the highest standards for responsible investment and to drive change until these standards are adopted worldwide. Our vision is a world where the financial system serves our planet and its people.