



## Total: Oil exploration project threatens Amazon reef

Oil and gas company Total proposed a major offshore drilling project without performing adequate due diligence with regard to possible environmental and human rights impacts.

### Problem Analysis

In preparing its Environmental Assessment Report in support of a proposed offshore drilling project in Brazil, Total failed to carry out adequate due diligence with respect to environmental and human rights risks. Because Total's application was rejected in Brazil it will not be held accountable for its failure to respect the rights of others.

### Company

**Company:** Total S.A.<sup>1</sup>

**Head office:** France

**Subsidiary:**

Total E&P do Brasil Ltda (100% ownership)

**Other companies involved:** BP and PETROBAS

### Company background

**Stock-listed company**

**Top 5 shareholders:** Amundi (7.73%), T. Rowe Price Associates, Inc. (0.75%), Wellington Management Company LLP (0.49%), Managed Account Advisors LLC (0.28%) and BlackRock Advisors LLC (0.26%)<sup>2</sup>

**CEO & President:** Patrick Pouyanné, Chairman, Chief Executive Officer and President (Income: €3.8 million in remuneration and €2.6 million worth of performance shares granted in 2016)<sup>3</sup>

**Annual profit:** Net income, group share: € 6,2 billion in 2016<sup>4</sup>

**Presence:** Global

**Number of employees:** 102,168 in 2016<sup>5</sup>

### Endnotes

- 1 See website Morningstar, <http://investors.morningstar.com/ownership/shareholders-major.html?t=TOT>, accessed on 14-11-2017 (accessed at 7-12-2017)
- 2 Total S.A. Annual Financial Report 2016 (2016 Registration Document), 2016, p. 123 at [http://www.total.com/sites/default/files/atoms/files/ddr2016\\_va\\_web.pdf](http://www.total.com/sites/default/files/atoms/files/ddr2016_va_web.pdf) (accessed at 7-12-2017)
- 3 Total S.A. Annual Financial Report 2016 (Form 20-F 2016), p. 1 at [http://www.total.com/sites/default/files/atoms/files/2016\\_form\\_20-f\\_web\\_0.pdf](http://www.total.com/sites/default/files/atoms/files/2016_form_20-f_web_0.pdf) (accessed at 7-12-2017)
- 4 Total S.A. Annual Financial Report 2016 (2016 Registration Document), 2016, p. 4 at [http://www.total.com/sites/default/files/atoms/files/ddr2016\\_va\\_web.pdf](http://www.total.com/sites/default/files/atoms/files/ddr2016_va_web.pdf) (accessed at 7-12-2017)

### Company activity

Total SA engages in discovery, production, processing, sale and marketing of energy, largely oil and gas. Activities comprise crude oil and natural gas exploration and production, power generation, transportation, refining, petroleum product marketing, and international crude oil and product trading.<sup>6</sup>

### Country and location in which the violation occurred

Brazil, specifically the Amazon mouth region; the French territory of Guiana (impact of potential oil spill); and France, where the mother company has its HQ.

### Summary of the case

In May 2013, the Brazilian Oil and Gas Agency (ANP) put oil exploration concessions in the mouth of the Amazon river basin up for auction. This basin is part of a geological formation called the Equatorial Margins of Northern Brazil, located along the coast of the states of Amapá and Pará. The sale of the concessions attracted a record number of offers, as oil companies believe that this basin could constitute a "new oil frontier" with potentially important resources. According to ANP estimates, the 282,909 km<sup>2</sup> area could house up to 14 billion barrels of oil,<sup>7</sup> more than the entire proven reserves of the Gulf of Mexico.<sup>8</sup>

In 2013, Total led a group, including Britain's BP Plc and Brazilian state oil company Petrobras, in buying five exploration blocks close to French Guiana in the mouth of the Amazon river basin. The group planned to launch an offshore oil drilling project.

The existence of a massive reef off the mouth of the Amazon was officially confirmed by scientists in April 2016.<sup>9</sup> One of TOTAL's wells is located 28 km from the reef. The resulting attention exposed the potential environmental risks related to the drilling plans, as an oil spill could harm the reef, and destroy mangrove forests in Brazil's far northern Amapá state, according to scientists and environmental activists.

Greenpeace offices in France and Brazil are campaigning for the companies' plans to be abandoned<sup>10</sup> and have exposed flaws in Total's environmental impact assessment. A May 2017 report by Greenpeace France provided a detailed assessment of the environmental situation, and found that many risks related to the area's environment and biodiversity were not taken into account or handled appropriately. The report discusses these failures, as well as the underestimation of the impacts of exploratory drilling in the Environmental Impact Assessments (EIAs) submitted by Total to the Brazilian Environmental Agency (Ibama). It also addresses the use of inaccurate models to determine the potential effects of an oil spill; and the absence of the reef in the first EIA.<sup>11</sup>

Total Group presents itself as a specialist in risky drilling in ultra-deep waters. However, the Greenpeace France report shows that the specific conditions in the mouth of the Amazon river basin increase the risk of oil spills and are likely to make the consequences worse and more difficult to contain. An oil spill could be catastrophic for either the reef or the mangroves, since it would be extremely difficult to clean these habitats, which would take several decades to recover.

In view of these problems the measures proposed by Total in the event of an emergency are far from adequate. Total plans to contain any leaks by installing a capping stack. However, it would take at least ten days to transport this equipment to the site, during which time significant quantities of oil could pour into the ocean.<sup>12</sup>

On 28 August 2017, the Brazilian Institute for Environment and Renewable Natural Resources (Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis, Ibama) rejected an environmental impact study submitted by Total E&P do Brasil Ltda to the agency to receive a license for oil exploration in the Foz do Amazonas basin.<sup>13</sup> Ibama's president, Suely Araújo, listed in a technical opinion the pending issues which meant the impact study was inadequate and prevented the issuance of a license. Ibama's repeated requests for additional documentation had not been met by the company. Ibama announced that if Total does not comply with the requests the license application will be 'archived', meaning the decision on Total's drilling proposal could be suspended indefinitely.

Ibama wants Total to address how to limit the impact of its project on marine mammals and turtles, to clarify models for how oil in the water would disperse, and to address Ibama's initial rejection of Total's proposals for environmental monitoring. Araújo also said: "Oil dispersion modeling, for example, can leave no doubt about the potential impacts on the coral reef and marine biodiversity more broadly". He also highlighted the need for international discussions regarding potential cross-border risks in the licensing of maritime drilling and the interconnectedness with French Guiana, Suriname, Guyana and Venezuela, and the Caribbean archipelagos.

Total now can submit a new environmental study, compliant with environmental rules. The environmental impact assessment was led by Total E&P do Brasil Ltda, a wholly-owned subsidiary of Total S.A. Greenpeace argues that Total S.A. should respect Brazilian environmental rules and the precautionary principle, and thus classify the exploration as "risky projects". According to the new due diligence principle, Total S.A. should be able to demonstrate that as a parent company it took all appropriate steps against such risks. If not, the compliance of the project with the future French mandatory due diligence law is at risk.

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## Endnotes

- 1 Total S.A. website: <http://www.total.com/en> (accessed at 7-12-2017)
- 2 See website Morningstar, <http://investors.morningstar.com/ownership/shareholders-major.html?t=TOT>, accessed on 14-11-2017 (accessed at 7-12-2017)
- 3 Total S.A. Annual Financial Report 2016 (2016 Registration Document), 2016, p. 123 at [http://www.total.com/sites/default/files/atoms/files/ddr2016\\_va\\_web.pdf](http://www.total.com/sites/default/files/atoms/files/ddr2016_va_web.pdf) (accessed at 7-12-2017)
- 4 Total S.A. Annual Financial Report 2016 (Form 20-F 2016), p. 1 at [http://www.total.com/sites/default/files/atoms/files/2016\\_form\\_20-f\\_web\\_0.pdf](http://www.total.com/sites/default/files/atoms/files/2016_form_20-f_web_0.pdf) (accessed at 7-12-2017)
- 5 Total S.A. Annual Financial Report 2016 (2016 Registration Document), 2016, p. 4 at [http://www.total.com/sites/default/files/atoms/files/ddr2016\\_va\\_web.pdf](http://www.total.com/sites/default/files/atoms/files/ddr2016_va_web.pdf) (accessed at 7-12-2017)
- 6 Total S.A. company website at <http://www.total.com/en/group/identity> and at <http://www.total.com/en/energy-expertise> (accessed at 7-12-2017)
- 7 "Forages pétroliers dans le bassin de l'embouchure de l'Amazone: un risque inacceptable," Greenpeace France, May 2017, p. 7 at [https://cdn.greenpeace.fr/site/uploads/2017/05/Recif\\_Amazon\\_Total\\_risque\\_inacceptable\\_Greenpeace.pdf?\\_ga=2.223564636.697991545.1506439174-233162418.1506439174Report](https://cdn.greenpeace.fr/site/uploads/2017/05/Recif_Amazon_Total_risque_inacceptable_Greenpeace.pdf?_ga=2.223564636.697991545.1506439174-233162418.1506439174Report) (accessed at 7-12-2017)

- 8 Jake Spring, "Brazil regulator rejects Total study on drilling at Amazon River basin," Reuters, 19 August 2017 at <https://www.reuters.com/article/us-total-brazil/brazil-regulator-rejects-total-study-on-drilling-at-amazon-river-basin-idUSKCN1B91PO> (accessed at 7-12-2017)
- 9 "An extensive reef system at the Amazon river mouth", Science Advances, <http://advances.sciencemag.org/content/2/4/e1501252.full> (accessed at 17-01-18)
- 10 "Greenpeace protests against plans for oil drilling near Amazon mouth," Agencia EPE, 29 September 2017 at <https://www.efe.com/efe/english/technology/greenpeace-protests-against-plans-for-oil-drilling-near-amazon-mouth/50000267-3393697> (accessed at 7-12-2017)
- 11 "Forages pétroliers dans le bassin de l'embouchure de l'Amazone: un risque inacceptable," Greenpeace France, May 2017 at [https://cdn.greenpeace.fr/site/uploads/2017/05/Recif\\_Amazon\\_Total\\_risque\\_inacceptable\\_Greenpeace.pdf?\\_ga=2.223564636.697991545.1506439174-233162418.1506439174Report](https://cdn.greenpeace.fr/site/uploads/2017/05/Recif_Amazon_Total_risque_inacceptable_Greenpeace.pdf?_ga=2.223564636.697991545.1506439174-233162418.1506439174Report) (accessed at 7-12-2017)
- 12 Ibid.
- 13 "Ibama rejeita estudo para exploração de petróleo na Foz do Amazonas," Instituto Brasileiro do Meio e dos Recursos Naturais Renováveis (Ibama), 29 August 2017 at <http://www.ibama.gov.br/informes/1176-ibama-rejeita-estudo-para-exploracao-de-petroleo-na-foz-do-amazonas> (accessed at 7-12-2017)