

“Green” Finance Campaign Bags Citigroup

By Jim Lobe | January 28, 2004

The world’s largest private financial institution, Citigroup, has signed on to a comprehensive environmental policy that sets a new industry standard, says the grassroots group that ran a two-year campaign against the banking giant.

Rainforest Action Network (RAN) said the new policy applies to Citi’s funding of projects that might have an impact on sensitive ecosystems, logging, indigenous areas, and climate change. The policy also marks an advance over the so-called “Equator Principles,” an agreement signed by Citi and 17 other major international banks last year, committing them to apply the environmental policies of the World Bank’s private-sector arm, the International Finance Corporation (IFC), to their lending practices. The IFC’s standards have been stricter than those of private banks and most western governments’ export credit agencies (ECAs), which finance infrastructure and other major projects in poor countries.

“Today, Citi has articulated the strongest environmental policies yet of any private financial institution in the world,” said Michael Brune, the executive director of San Francisco-based RAN, which sponsored consumer boycotts and held colorful protests in its effort to persuade the bank to stop financing ecologically destructive projects. “This moment marks a milestone in the worldwide movement to stop global warming and deforestation,” he added in a statement. “We cannot overstate the importance of changing such a vast enterprise, and look forward to working together with Citi in the coming years.”

Other groups also welcomed the bank’s announcement, although they stressed they are waiting to see how Citi applies the new policy framework. “These commitments make Citi the clear leader among American investment banks when it comes to environmental policies,” said Michelle Chan-Fishel, who directs the green investments project at the U.S. section of Friends of the Earth International (FoEI). “But we are holding our applause until we see how their policies translate into practice,” she added.

Among the most dramatic of the principles Citi announced was its adoption of the concept of “no-go zones,” a notion that will bar it from financing logging activities in tropical forests. It is now the only private U.S. bank to recognize the need for such areas.

In addition, Citi committed itself to perform greater “due diligence” studies for projects proposed in “high-caution zones,” ecosystems regarded as particularly vulnerable or that have a particularly high biodiversity or conservation value. It pledged to implement new lending practices concerning indigenous areas, which it says would ensure support for indigenous rights, livelihoods, and cultural integrity, and the bank will not lend to companies known to violate local or national laws on illegal logging.

On global warming, Citi pledged to report greenhouse gas emissions from all power-sector projects it finances and, at the same time, to increase its investment in projects that use clean, renewable energy sources. In a related move, the bank said it will soon offer energy-efficient mortgages for U.S. homebuyers, to encourage conservation.

Raising the Bar

RAN, saying that the measures “raise the bar” for the rest of the financial sector, announced Thursday it had sent letters to 10 of the most environmentally destructive U.S. investment banks, which the group called “The Liquidators,” challenging them to “meet or beat” Citi’s new policies. The target banks include the new U.S. giant, JPMorgan Chase-Bank One, Bank of America, Fleet Boston Financial, Wells Fargo, Goldman Sachs, John Hancock, Wachovia, U.S. Bancorp, and Sun Trust. “One bank is not enough,” said Brune. “We won’t save rainforests or ourselves until we deal head-on with the ultimate weapon of

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mass destruction—climate destabilization and the banks that fund the corporations that cause it.”

“Many of Citi’s major competitors lag far behind,” said FoEI’s Chan-Fishel. “As far as we can tell, JPMorgan Chase doesn’t have even a generic environmental policy, let alone an environment risk management system.” But she warned that Citi’s new policies will only prove valuable if they lead to real changes in the composition and environmental quality of its loans.

Chan-Fishel noted the bank is a major funder of the controversial Baku-Tbilisi-Ceyhan pipeline project to bring oil from Azerbaijan to Turkey’s Mediterranean coast. FoEI and other green groups have raised a number of concerns about the pipeline, which passes through a buffer zone around a national park in Georgia, and threatens several other ecologically sensitive areas. The project, which is to be signed next month, represents an early test of Citi’s seriousness, according to Chan-Fishel.

The Equator Principles were worked out last April by Citi, ABN Amro, Barclay’s, and WestLB, whose combined operations provided more than \$15 billion in project financing in 2001, according to the *Financial Times*. In addition to barring support for projects that threaten sensitive ecosystems, the principles also require financial institutions to assess the impact on local communities, particularly indigenous groups, in making their lending decisions.

IFC officials have cited the standards in rebuffing a number of controversial projects, including the Camisea pipeline project in Peru, which the Inter-American Development Bank (IDB) decided to support last summer. The IDB is expected to announce the adoption of new environmental guidelines soon.

Robert Goodland, a former World Bank environmental specialist, also applauded Citi’s announcement, noting that while investigating environmentally destructive projects in recent years, he had been struck by “the lack of even basic environmental and social safeguards” in the private banking sector. Goodland submitted a report last year on another Andean pipeline project, the OCP pipeline in Ecuador, which found the design and implementation had violated World Bank guidelines—but his findings did not affect private-bank support. “To truly protect endangered ecosystems and indigenous communities dependent on them,” he said, “these institutions must follow Citi’s lead in adopting policies that begin to reorient the global economy toward sustainable projects and clean energy sources. The new policy allows the private finance sector to catch up and surpass the public finance sector in one move.”

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