

Paris, 23 September 2014

Mr Mestrallet,

We are sending you this letter to express our deep concerns about the recent “green bond” issued by GDF Suez and your company’s communication campaign to promote this issue.

In principle, some of us are supportive of the introduction of green bonds to facilitate funding for climate-friendly energy projects. Nevertheless, we have serious issues with the manner in which this green bond was issued. As we have advocated in various forums,¹ we believe that in order to effectively achieve their environmental objectives and obtain investor confidence, green bonds must be based on common, transparent and credible standards. These should particularly include scientific criteria on what does or does not constitute a climate-friendly energy project, as well as strong ESG standards, public transparency over the use of proceeds, public reporting and independent verification. Additionally, we believe that green bonds should also not be used as an alibi to continue investing heavily in fossil fuel generation.

We feel that GDF Suez’s green bond issue fails to meet many of these basic conditions. As a result, we fear it will create more confusion in an area already lacking common standards, and that it has the potential to hinder the long-term development of green bonds by undermining their credibility for investors, public authorities and civil society. Even worse, we fear that this green bond issue could be used to fund energy projects that have no genuine climate benefits, and in reality demonstrate destructive social and environmental impacts.

The fact that this green bond has reportedly been explicitly linked to the Jirau hydropower project and that this project has been framed to investors as a “model” for future investments, is a case in point. As you are surely aware, we – alongside dozens

¹ See for instance:

http://www.banktrack.org/show/news/banktrack_calls_for_strengthening_of_green_bond_principles

of environmental, indigenous rights or labor rights organizations – do not regard the Jirau dam as an example of “sustainable development”. Quite the contrary, we believe touting the supposedly sustainability of Jirau is an example of what should not be done in the area of climate finance and low carbon energy development. Our recent a blog post about GDF Suez’s green bond explores this inconsistency:²

[The] Jirau Dam has proven to be far from a “sustainable” investment. The project and its downstream counterpart, the Santo Antônio Dam, are two of four controversial dams planned as a cascade on the [Madeira River](#), the largest tributary to the Amazon. Both dams are taller than 15 meters, and as such are considered “large dams” by the World Commission on Dams and the International Commission on Large Dams (ICOLD). Although neither dam is designed for traditional reservoir storage, and are thus technically considered “run of the river,” both dams inundate areas beyond the banks of the river. When such dams are built in a cascade on a water body as wide as the Madeira, they typically create greater, cumulative impacts that are difficult to mitigate, in comparison to smaller dams on lesser tributaries.

The Jirau Dam, soon to be completed, has already caused serious impacts on freshwater ecology, local communities and workers. For example, scientists have [pointed out](#) several valuable migratory fish species that could suffer near-extinction as a result of the dam. Sedimentation and water quality are of great concern as the dams trap nutrients and vegetation in the riverbed where they may accumulate and decay, turning the river toxic. The areas inundated by both the Jirau Dam and Santo Antônio Dam have exacerbated damages caused by [recent historic floods in the region](#), forcing thousands of people to be displaced from their property. Meanwhile, the consultation of affected communities and indigenous people was highly insufficient, Brazil’s federal indigenous agency FUNAI [confirmed](#) that nearby un-contacted indigenous populations have suffered impacts, and workers previously set fire to installations on at least two occasions, in protest over poor working conditions and sub-par pay.

The fact that GDF Suez has chosen to highlight this particular project to promote its green bond to investors does not positively portend how the bond’s proceeds will be employed. We are also aware that GDF Suez is involved in other hydroelectric projects in the Amazon region and is contemplating developing more, in equally controversial circumstances, for instance in Brazil’s Tapajós basin. We are equally concerned that the proceeds of the green bond could be used to fund such projects, in spite of their equally questionable socio-environmental credentials.

² See <https://www.environmental-finance.com/content/analysis/is-gdf%E2%80%99s-green-bond-issue-really-green.html> or <http://www.internationalrivers.org/blogs/258-0>

It is widely accepted that great caution is required before including hydroelectric projects in green bond issuances, particularly in tropical regions, given the uncertainties about their actual net climate impact.³ We think that brushing those concerns aside and rushing to include projects such as Jirau in such schemes is counter-productive in the long run, especially when this funding source could be put to better use elsewhere. We note that even EDF, which issued its own corporate green bond a few months before GDF Suez, has specifically excluded hydroelectric dams from the scope of its bond issue, even though the company's current portfolio includes international hydroelectric projects.

We are aware that Jirau was not explicitly cited in official documents as a project that could be funded through your recent green bond issuance. We therefore ask you to formally exclude Jirau from the scope of the bond, especially given that this project is already partly operational. We also ask you to formally exclude large hydroelectric projects from the scope of the green bond, as EDF has done, at least until a credible set of criteria for including hydroelectric dams in the scope of climate finance has been developed.

Beyond that, we ask that GDF Suez introduce genuine public transparency about the projects which will be or have been financed through the green bond, as well as independent verification mechanisms, and participate in the development of common standards to be applied to future green bonds.

We believe that, in the absence of genuine transparency, independent verification, and of credible criteria and safeguards, the issuance of green bonds such as this will only fuel controversy and thwart the development of a tool to finance our transition to a low carbon economy. This is especially true if green bonds are linked to highly controversial projects such as Jirau, and if GDF Suez's overall business strategy does not offer any visible sign of a wider shift away from fossil fuels.

³ See:

<http://www.alphagalileo.org/Organisations/ViewItem.aspx?OrganisationId=533&ItemId=144471&CultureCode=en>

It is our responsibility to make our concerns known to you and your team, to ethical investors who are interested in the development of green bonds, as well as to draw public attention to this topic.

We look forward to the opportunity to discuss these issues with you in the near future.

Signatories:

1. Amazon Watch
2. BankTrack
3. Berne Declaration
4. Friends of the Earth – USA
5. International Rivers
6. Les Amis de la Terre (Friends of the Earth France)
7. Multinationals Observatory (Observatoire des Multinationales)
8. Planète Amazone
9. Rainforest Action Network