



Debate on the way forward for Scotlands Banking Sector

1 June 2010

Introduction

Following the UK Government's bail out of the Banks, the Royal Bank of Scotland – one of the four biggest banks in the world before the recent financial crisis – is now 84% Government (and therefore taxpayer) owned. Yet it continues to invest our money in companies involved in dirty projects that damage the environment and threaten people's human rights. Friends of the Earth Scotland, along with a coalition of NGOs including the World Development Movement, People and Planet, Amnesty International, Platform and SEAD are campaigning for the Royal Bank of Scotland and other taxpayer owned Banks to move funding away from projects which damage the environment and threaten human rights and towards green and ethical investment.

1. Tar Sands – UK Banks, RBS and Canada's 'blood oil'

Mining for tar sands has been described as 'the most destructive project on Earth'.ⁱ It takes 4 tonnes of the earth lying beneath the boreal forests of Alberta, Canada to make one barrel of oil. Yet it isn't just the environmental impact that's important – there's an immediate human cost as well. The indigenous communities from Fort Chipewyan have dangerously high levels of toxins in their local river; alarmingly high rates of what should be very rare bile duct cancers and abnormal rates of immune-system related conditions. Local tribe leaders describe themselves as living at 'ground zero' and have coined the term 'blood oil' for tar sands.ⁱⁱ

Between 2007 and 2009 RBS underwrote more than \$7.5 billion to companies carrying out tar sands mining in Canada. Despite chairman Sir Phillip Hampton recently meeting with First Nation spokespeople and organisations opposed to tar sands, including ourselves, RBS continues to fund companies engaged in its exploration and mining. In March of this year it opened a new office in Calgary – the heart of tar sands country.

- Ministers might be asked if they have discussed RBS' investment portfolio with the bank

2. Vedanta mining – 'bucks for bauxite'

Vedanta Resources, a UK mining company, have been given permission to create a bauxite mine at the top of a mountain sacred to the Dongria Kondh tribe, and to expand their aluminium refinery at the foot of the hills. This is despite the fact that an OECD report, accepted by the UK Government's Department for Business Innovation and Skills in late 2009, ruled they failed to properly consult local people about their plans.ⁱⁱⁱ

A number of high profile organisations such as the Church of England and even the Norwegian Government have disinvested from Vedanta because of concerns over this project. Yet RBS have given financial advice to Sterlite, a subsidiary of Vedanta, along with credit letters worth £60m.

- Ministers might be asked if they believe taxpayers money should contribute to projects involved in human rights abuses, displacement of communities and environmental degradation

3. Funding for Scottish renewable projects

At the same time as funding climate-trashing projects on the other side of the planet, RBS is failing to sufficiently invest in projects which would help our transition to a low carbon economy. Orkney Sustainable Energy, a renewable energy consultancy that promotes community wind farms, have repeatedly tried and failed to get finance from RBS. This is despite increased investment in renewables being in line with Government's objectives to cut carbon in line with climate targets and create green jobs.

- Ministers might be asked if they agree that turning RBS into a green investment bank would help deliver a low-carbon, environmentally just future, helping contribute to Scotland's climate targets and benefiting our economy

4. The role of UKFI and the Scottish Parliament

Government shares in RBS are managed by UK Financial Investments (UKFI), a wholly government owned company set up for this purpose. We think that bailed-out banks must be required to abide by the highest environmental and human rights standards – and advance a genuine public interest - when they invest taxpayers' money.

We were particularly pleased to see, and would draw members' attention to paragraph 119 of the Economy, Energy and Tourism Committee's report which states:

“The evidence from UKFI indicates it has taken a very narrow view of its role as set out in the Framework Document and Investment Mandate. The Committee would have welcomed evidence from UKFI that demonstrated that it engages as an institutional shareholder to promote the public interest in terms of the UK Government's shareholdings in RSB and LBG. The Committee considers that in light of previous failures by shareholders and non-executive directors, it is important that UKFI should take a more pro-active role. **The Committee is concerned that a focus only on achieving shareholder value may be inappropriate. The Committee believes that UKFI's stewardship of the banks in which it holds shares should also emphasise the long-term interests of the economy as a whole, and it should apply social and environmental criteria to investment and business decisions taken by those banks.**”
(report's own emphasis)

We are calling for ***MSPs' and Ministers to proactively apply pressure to RBS, UKFI and the Treasury*** to ensure that all bailed-out banks, including RBS: immediately stop investing in projects and companies that destroy fragile and irreplaceable eco-systems; refuse to finance businesses or ventures that fail to uphold human rights or have close links to oppressive regimes; set and publish annual reduction targets for the emissions resulting from lending to fossil fuel projects and companies; prioritise lending to low-carbon companies, technologies and infrastructure; consider the job opportunities in Scotland and the UK in financing the shift to a low carbon economy.

- Ministers might be asked if they will apply pressure to RBS, UKFI and the UK Government to move towards greener investment

Conclusion

Much has been made of both the Scottish and the UK Government's efforts and frameworks to cut their countries carbon emissions. But in reality the influence and spending power of our financial services sector dwarfs that of the UK's own spending power. It seems slightly schizophrenic that we have bailed out many of the banks, are now majority shareholders, yet continue to allow them to invest in socially and environmentally destructive projects. With the UK Government promising a 'new politics' there is a real opportunity to shape banking to create a better future.^{iv} We must not pass it up.

Friends of the Earth Scotland have produced a series of reports on RBS, UK Banks and the issues outlined in this briefing. You can download them from: <http://www.foe-scotland.org.uk/Resources/ReportsPublications>

For further info contact: Francis Stuart, Parliamentary Officer, fstuart@foe-scotland.org.uk, 0131 243 2701

i 'Canada's Toxic Tar Sands: The Most Destructive Project on Earth' (2008) an Environmental Defence report, online at:

<http://www.environmentaldefence.ca/reports/tarsands.htm>

ii 'Cashing in on Tar Sands: RBS, UK banks and Canada's "blood oil" (2010), online at: <http://www.foe-scotland.org.uk/tarsands>

iii <http://www.berr.gov.uk/policies/business-sectors/low-carbon-business-opportunities/sustainable-development/corporate-responsibility/uk-ncp-oecd-guidelines>

iv The Liberal Democrats, who now oversee Business and Banking, passed a policy motion on tar sands at their 2009 conference.

They have also stated 'As a majority shareholder the Government should use its power to ensure destructive environmental investments are not made':

http://www.libdems.org.uk/news_detail.aspx?title=Taxpayer_must_not_support_tar_sands_extraction_%E2%80%93_Hughes&pPK=e840c72d-e4e1-40d4-a2c1-dcf187316a1b. Ed Miliband recently made similar comments:

<http://www.guardian.co.uk/politics/2010/may/30/ed-miliband-hay-festival-coalition>