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FRENCH BANKS:

TOTALy
irresponsible
in ultra-deep waters

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**Les Amis
de la Terre
France**

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WHAT DOES ULTRA DEEP OFFSHORE MEAN?

In continuous quest for new reserves to exploit, as easiest-to-access oil fields are becoming scarcer and often coveted or pre-empted by national companies, the major players in the oil and gas industry are developing projects in ever deeper waters.

When the industry refers to deep offshore, it refers to fields located at more than 125 metres below the surface of the water. In this very broad category, ultra-deep offshore concerns deposits deeper than 1,500 metres. Although it is conventional oil, it requires seismic and unconventional drilling techniques, such as drills that can go deeper than 3,000 metres and drill more than 8 kilometres underground.

“ At Total, we have embarked on an incredible human, technological and industrial adventure to tap deepwater oil and gas reserves as part of our commitment to meeting global energy demand. After pioneering deep offshore production, we are now one of the sector’s biggest operators. ”¹

In response to both climate emergency and pressure from NGOs, French banks have all adopted policies to restrict their financing to fossil fuels.

A large number of reports claim that most of our fossil energy reserves cannot be exploited, and also that we must immediately begin to close existing infrastructures in order to ensure the total decarbonation of the energy sector and limit the rise in global temperature well below the threshold of +2°C, compared to the pre-industrial era.

Coal, tar sands, shale gas, liquefied natural gas export terminals, drilling in the Arctic and in ultra deep waters, all have extreme impacts on climate, environment and populations. As they are extremely carbon intensive and emit greenhouse gases, it is legitimate to ask banks to put an immediate end to all financial support that could help the development of these sectors, and to adopt policies to facilitate their phase out.

French banks have responded more or less favourably to NGO campaigns asking them to stop supporting these 6 sectors, the main advances being made on coal, and to very different degrees, others being made on Arctic, tar sands, shale gas and related LNG terminals.

But one sector has so far been totally ignored by French banks: ultra deep offshore. Even BNP Paribas, which was the first bank in the world to adopt a policy regarding the other five oil and gas sectors, did not dare touch it.

IS TOTAL HIDDING BEHIND FRENCH BANKS RESTRAINT?

In its website, Total says that it sees a “growth reservoirs” in deep offshore - any drilling deeper than 125 metres. But a detailed analysis of its production forecasts between 2015 and 2035, based on Rystad² data, clearly shows that Total is only investing in ultra deep offshore - at depths of more than 1,500 metres. **If the group plans to reduce its oil production in deep waters by 30%, it intends to increase its production in ultra deep waters by 3,665%.**

BLINDNESS OR HYPOCRISY?

While the fossil energy reserves already in operation contain enough carbon to make us exceed the warming thresholds of 1.5 and 2°C, exploring and exploiting new reserves is strictly incompatible with meeting the objectives of the Paris Agreement, to which Total has also committed³.

Total is also proud to be a pioneer in this sector, making its development an “ incredible human, technological and industrial adventure” ⁴. Social, environmental and economic risks, such as those of its Guyane Maritime off French Guiana and Foz do Amazonas projects off Brazil, portray a much darker reality of the sector for workers, biodiversity and even for investors.

Incompatible with Total’s pro-climate views, drilling in ultra deep waters is also incompatible with banks’ positions on climate and biodiversity. **However, although extraction in ultra deep waters today represents only a tiny part of the French group global oil production- less than 1%- it has already benefited from 502 million dollars from French banks between 2015 and 2017⁵. As banks currently have no policy to restrict their financing to projects and companies in the sector, this financing is likely to grow.**

This briefing presents the risks posed by financial support to Total and deepwater drilling. It calls on French banks to finally step up to the plate against one of the most powerful companies in the world, whose massive development strategy in deepwater drilling threatens the future of millions of people.

More specifically, it calls on French banks to put an end to all financing to deepwater drilling projects and to make all financial support to Total, and the other oil and gas majors, conditional on the termination of their development projects in this sector and the adoption of a plan to put their activities in line with the objectives defined in the Paris Agreement.

ULTRA DEEP OFFSHORE : TOTAL'S "RESERVOIR OF GROWTH"

A few months after joining the group of signatories of the Paris Appeal, Total made a commitment "to ensure that the level of ambition set by the Paris Agreement is respected or even exceeded in order to limit the rise in temperature to less than 2°C⁶ and made public at its 2016 Annual General Meeting a document outlining its climate strategy.

In this document entitled "Integrating Climate into our Strategy", Total writes that the IEA's 2°C scenario stipulates that the share of oil in the global energy mix "will decline gradually, to 24% in 2035 from 31% today"⁷.

Yet, behind its allegiance to the Paris Agreement, Total expects a 26% increase in its total oil production. On its website, Total states that **"Deep offshore oil and gas resources have acquired strategic importance in supplying the energy solutions of tomorrow and could hold the key to renewing reserves and increasing production"**.

The French group is enthusiastic about the idea that according to its prospective studies, **"the oil and gas held in deepwater reserves may amount to nearly 350 billion barrels of oil equivalent (BOE), or 8% of the world's resources. We also believe that two thirds of deep offshore oil and gas resources are still waiting to be discovered."**⁸

we give up limiting the rise in global temperature well below 2°C and tending to 1.5°C. Indeed, according to a study published by Oil Change International, consuming all the coal, oil and gas reserves already in operation would cause global warming above 2°C. Even if we stopped extracting coal today, consuming this oil and gas would make us cross the + 1.5°C threshold⁹.

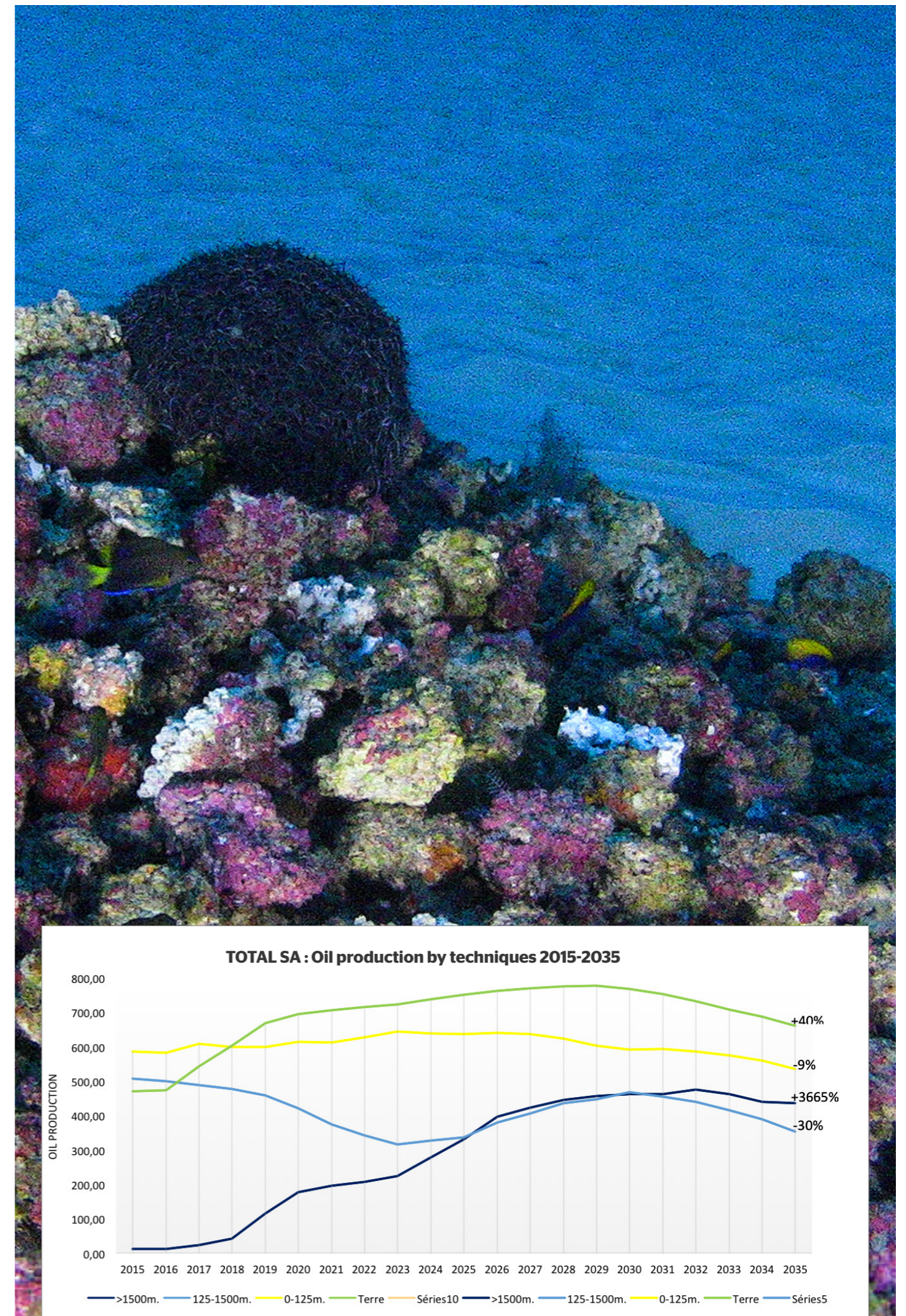
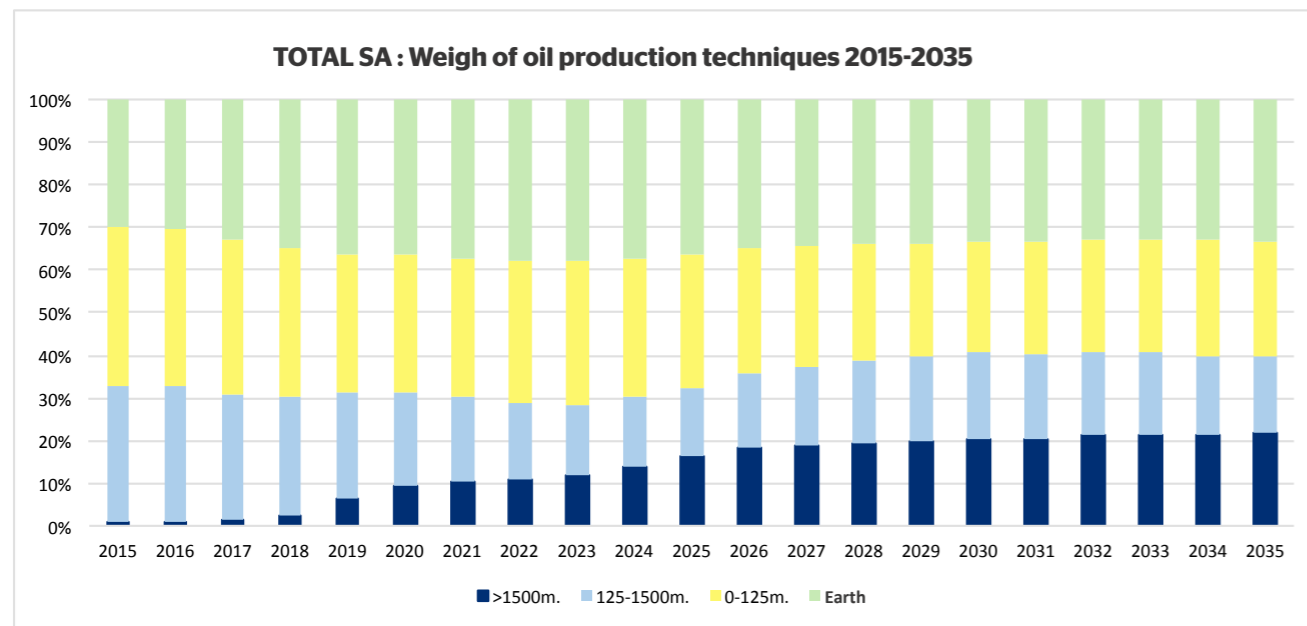
In addition to managing its contradictions in terms of climate, Total poses massive risks to biodiversity. Because when Total talks about deep offshore, it means drilling in very deep waters and not drilling in deep water.

According to Rystad data, Total plans to reduce its deepwater production by 30% between 2015 and 2035, but to increase its oil production in ultra deep waters by 3,665% with even a production peak at 474kbb/d in 2032, an increase of more than 4,005% since 2015.

Today, if the oil extracted by Total using this technique represents less than 1% of its total oil production, it will represent nearly 22% by 2035.

This increase is much higher than that forecast by the other majors in the oil sector. And while Total should maintain production at a lower level than Petrobras and Shell, this increase should put it ahead of BP and Statoil, which are already much more active in deepwater drilling¹⁰.

These untapped reserves must be left in the ground, unless





ULTRA DEEP OFFSHORE:

ALWAYS FURTHER, DEEPER, AND RISKIER

Foz do Amazonas (Brazil), Nasua (French Guiana), Kaombo (Angola), Egina (Nigeria)...Total is constantly pushing back geographical and technological frontiers with ever more inaccessible and deep projects in areas that are increasingly unknown¹¹ and whose potential impacts on biodiversity and environment are increasingly worrying.

POLLUTION: BIODIVERSITY AND ENVIRONMENT IMPACTS

Noise, air and water pollution accompany these projects, with heavy impacts on biodiversity, particularly for benthic species¹².

The waters in which Total plans to drill off the Amazon - in the area known as “Foz do Amazonas”- shelter not only a unique reef¹³ but also many marine species including whales, dolphins and sea turtles. Similarly, in French Guiana, the hypothesis that the study area of the “Guyane Maritime” permit would be a calving and nursery area for several cetacean species seems to be confirmed.

Oil exploration and exploitation in these regions would have a highly detrimental effect on marine life: disturbance of turtle migration routes, degradation of the seabed with drilling cuttings or contamination of the environment with wastewater are just a few examples.

During its operational life, a single rig can pollute as much as 7000 cars driving more than 80km per day¹⁴. In particular, it has been estimated that each year an offshore platform generates on average more than 50 tonnes of nitrogen oxides, 11 tonnes of carbon monoxide, 8 tonnes of sulphur dioxide and 38 tonnes of volatile organic hydrocarbons¹⁵.

OIL SPILL: INCREASED RISKS

In offshore activities, the main cause of oil spills is the explosion of wells or «blow-outs». These eruptions are the cause of some of the most serious offshore drilling accidents to date, such as the Ixtoc I disaster in 1979 or the Deepwater Horizon disaster in 2010.

Incidents during the exploratory phase in deep offshore concern 15% of wells, and the Institut National de l'Environnement Industriel et des Risques (INERIS) notes that **the frequency of blow-outs is six times higher for wells deeper than 4500 metres¹⁶.**

In addition, **the difficulty of preventing and intervening in the event of a well explosion is all the more complex when the drilling is deep.** The Deepwater Horizon disaster¹⁷ is unfortunately a perfect illustration of this. The oil spill lasted more than 3 months, during which nearly 5 million barrels of oil - the equivalent of 40 Erika or 3.5 Amoco Cadiz - were spilled. A dramatic human, environmental and financial bill with a toll of 11 deaths and a cost estimated at 65 billion dollars¹⁸. And this bill is far from definitive: the environmental impacts of the disaster continue to be the subject of numerous studies¹⁹.

To contain a blow-out in the «Foz do Amazonas» exploration zone, Total plans to transport a containment dome from Rio de Janeiro. However, ten days would be necessary to cover the 4,000km separating it from Bélem port, during which time the oil would spread in the ocean²⁰.

The installation of a containment dome on an erupting oil well could also be a logistical challenge, given the particularly difficult oceanographic conditions in this area (strong currents, high proportion of sediment in the water and instability of the seabed).

These extreme conditions increase the environmental impacts of conventional methods used to remove oil from the sea surface. Scientific studies, compiled in a report by the National Wildlife Federation²¹, show that the dispersant used in the Deepwater Horizon disaster can be up to 52 times more toxic than oil itself. 30 000 dead dolphins, nearly 2 000 dead turtles, destruction of colony of coral 11km from the well... the list of impacts of the oil slick on wildlife, 3 years after the accident, continues to worsen.

ULTRA DEEP OFFSHORE: BANKS FINANCIALLY FUEL TOTAL

French banks, particularly BNP Paribas, Crédit Agricole and Société Générale, are among the largest funders of deep offshore.

Between 2015 and 2017, BNP Paribas, Crédit Agricole, Société Générale and Natixis provided USD 5.3 billion financing to the deep offshore oil activities of the 30 companies with the largest oil reserves in ultra deep waters²², including USD 502 million to Total.

Total occupies a predominant position in ultra deep offshore financing by French banks.

Top 30 funders of the ultradeep offshore 2015-2017		
Banks	Millions of dollars	Ranking
JPMorgan Chase	6 870	1
HSBC	4 827	2
Bank of America	4 542	3
Citi	4 479	4
Morgan Stanley	3 236	5
Deutsche Bank	3 206	6
Santander	2 623	7
Barclays	2 444	8
BNP Paribas	1 991	9
Société Générale	1 913	10
Mizuho	1 845	11
MUFG	1 770	12
ICBC	1 668	13
Goldman Sachs	1 425	14
Crédit Agricole	1 116	15
Bank of China	1 088	16
SMFG	840	17
Standard Chartered	839	18
UBS	694	19
UniCredit	613	20
Credit Suisse	576	21
ING	479	22
Agricultural Bank of China	396	23
Scotiabank	316	24
RBS	305	25
RBC	292	26
China Construction Bank	280	27
Wells Fargo	275	28
BPCE/Natixis	272	29
Westpac	133	30
TOTAL	51 353	

Source: Bloomberg via Rainforest Action Network

This is particularly true for Société Générale and Crédit Agricole, which are among the top five funders of Total's deepwater activities, whereas they are only the tenth and fifteenth funders in the sector internationally.

With a USD 202 million financing, Société Générale alone provides 9% of the total financial support allocated to Total's activities in ultra deep waters and 41% of the support from French banks.

As banks currently have no policy to restrict their financing to projects and companies in the sector, this financing is likely to grow. However, economic and financial risks are not absent. On the contrary, a study by Carbon Tracker²³ shows that the profitability of the sector is very uncertain: the high technicality of drilling in ultra deep waters implies that any complication rapidly increases costs, and the profitability of the sector should also be quickly impaired by the development of climatic and environmental regulations, legal risks and the drop in demand.

Total's top 20 ultradeep offshore oil funders 2015-2017		
Banks	Millions of dollars	Ranking
Barclays	294	1
HSBC	269	2
Citi	227	3
Société Générale	202	4
Crédit Agricole	152	5
JPMorgan Chase	130	6
Deutsche Bank	122	7
BNP Paribas	109	8
Goldman Sachs	91	9
Credit Suisse	91	10
Bank of America	91	11
Morgan Stanley	84	12
RBC	77	13
SMFG	54	14
UniCredit	48	15
BPCE/Natixis	38	16
Santander	38	17
UBS	25	18
ING	18	19
Scotiabank	15	20
TOTAL	2 175	

Source: Bloomberg via Rainforest Action Network

TOTAL OUT OF REACH: WHEN BANKS BOW TO THE MAJORS

The climate emergency requires the financial sector to position itself vis-à-vis the fossil fuel industry, which is mainly responsible for global warming. In recent years, an increasing number of private and public banks, insurers and investors have made divestment commitments.

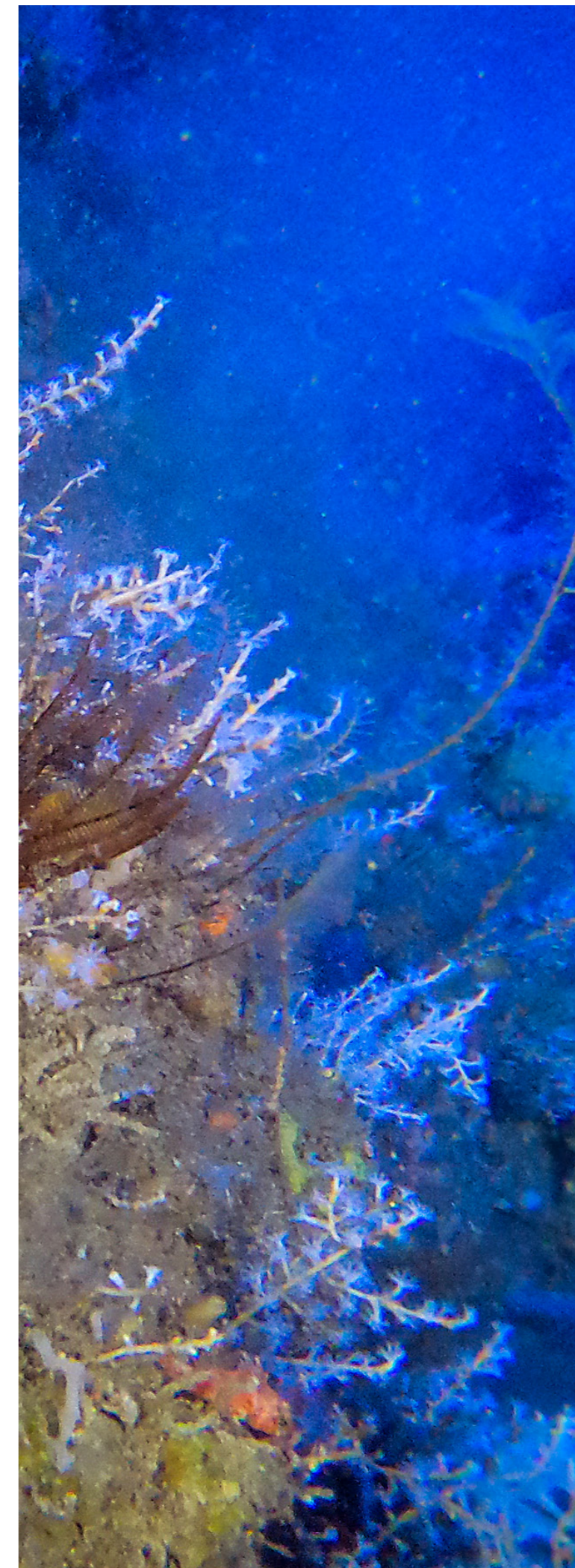
While the bulk of these measures initially focused on the coal sector, it now extends to the oil and gas sector. Two emblematic examples from 2017: the end of BNP Paribas support for exploration, production, transport and processing projects for shale oil and gas, tar sands and oil and gas resources located in the Arctic region, as well as for companies whose activities are based to a significant extent on these sectors²⁴; and the end of World Bank funding for oil and gas exploration and production projects²⁵.

These measures reflect a growing recognition within the financial sector that it is no longer possible to extend the frontier of fossil energies and that it is imperative that the increase in "green" financing and investment - to energy efficiency and renewable energies - be based on an end to "brown" support - gas, coal and oil.

However, few investors and financial players are willing to take concrete action on the oil and gas majors. Thanks to their high diversification, these companies remain beyond the reach of the policies adopted by French banks in the coal, tar sands and Arctic drilling sectors.

Regarding oil sands, even the most ambitious financing and investment policy, that of BNP Paribas, excludes, in addition to production projects, companies whose reserves of oil sands represent more than 30% of their total reserves, a threshold well above the 6.5% for Total.

While BNP Paribas and Société Générale²⁶ have also made commitments on companies active in the Arctic, only companies with respectively more than 30% and 50% of their reserves in the Arctic are excluded. Whereas Total is among the top 15 companies in the world in terms of oil reserves in the Arctic, it will not be affected since its Arctic reserves represent only 0.75% of its total reserves.





CONCLUSION

No energy transition will be possible without the adoption by financial actors of policies that applies to the oil and gas majors. If they are not to be excluded from support, it is urgent to develop a robust engagement strategy with them. One of the priorities is to push them to stop undertaking new projects in ultra deep offshore drilling and extreme fossil energies.

Total, like BP, Shell and Statoil, is among the energy companies involved in the Climate Action 100+ initiative, the largest investor-led engagement initiative ever (300 investors holding around \$30 trillion in assets) targeting the world's 160 largest CO₂ emitters²⁷. Launched during the One Planet Summit in December 2017, it brings together a large number of investors, including the asset management divisions of BNP Paribas, Crédit Agricole and Natixis.

Whether through this initiative or bilaterally, a strategy of engagement must, to be effective, be based on requests which must be specific, time-bound and correlated with actions previously known by the companies in case of failure of the engagement strategy.

To only request a climate risk exposure assessment and a recognition of the 2°C target is clearly not an option in the context of climate emergency. As shown in Total's 2016 report "Integrating Climate into Our Strategy," published in response to investor pressure, such requests can lead to empty communication exercises.

While any climate reporting must be aligned with the recommendations of the Task Force on Climate-related Financial Disclosures, it must above all complement an immediate halt to the opening of new fossil energy projects, starting with projects in ultra deep waters, and a commitment to align with the objectives of the Paris Agreement. This commitment must be followed by the publication within two years of a detailed action plan correlated with indicators based on climate science in order to assess its annual progress. This plan must cover both Total's actions to reduce its exposure to fossil fuels and to develop sustainable zero-carbon alternatives.

It is on such requests that the banks must make a commitment to Total. In addition, banks must commit to take measures to restrict their supports and to make them more and more stringent if the commitment strategy fails²⁸.

IMPRINT

French banks : TOTALy irresponsible in ultra-deep water

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FOOTNOTES

¹ Total, Deep offshore reservoirs: tapping growth, seen on 22 may 2018 www.total.com/en/dossiers/deep-offshore-reservoirs-tapping-growth

² Unless otherwise indicated, all data concerning Total's oil exposure date from May 2018 and have been provided to the authors by Oil Change International. Rystad Energy AS is an independent consulting and business intelligence firm specializing in the oil and gas sector, including data collection. www.rystadenergy.com

³ Paris Pledge for Action www.parispledgeforaction.org

⁴ Total, Deep offshore reservoirs: tapping growth, seen on 22 may 2018 www.total.com/en/dossiers/deep-offshore-reservoirs-tapping-growth

⁵ Transaction data is sourced from Bloomberg Finance L.P., where the value of a transaction is split between leading banks. This is supplemented by project finance deals from IJGlobal and TradeFinance Analytics researched by Profundo, where all participating banks receive credit for their participation in a deal. Each transaction is weighted based on the proportion of the borrower or issuer's operations devoted to the subsector in question. For a full explanation, see www.ran.org/bankingonclimatechange2018.

⁶ Paris Pledge for Action www.parispledgeforaction.org

⁷ Total, Integrating climate into our strategy, p. 7 and 24. www.total.com/sites/default/files/atoms/files/rapport_climat_2016_en.pdf

⁸ Total, Deep offshore reserves, a strategic resource for future energy solutions, seen on 22 may 2018 www.total.com/fr/news/offshore-profond-des-resources-strategiques-pour-le-futur-energetique?folder=7737

⁹ Oil Change International, The Sky's Limit, September 2016, priceofoil.org/content/uploads/2016/09/OI_the_sky_limit_2016_FINAL_2.pdf

¹⁰ Total produced 12 kbbl / d in 2015, much less than Statoil, Shell, BP and Petrobras, respectively at 118, 220, 226, 617 kbbl /d. However, while Total expects a 3665% increase between 2015 and 2035, these companies are counting on growth of 146% (Statoil), 193% (Shell), 86% (BP) and 159% (Petrobras). Total would reach 435 kbbl/d in 2035 against 289 (Statoil), 646 (Shell), 419 (BP), and 1595 kbbl/d (Petrobras); according to Rystad data.

¹¹ In its study on the oil exploration work on the Nasua area, the French environmental authority emphasizes, in this respect, a level of knowledge of the marine environment even lower than they are beyond continental shelf. www.cgedd.developpement-durable.gouv.fr/IMG/pdf/180530_-_forages_tal_guyane_973_-_delibere_cle548236

¹² Who live in close relationship with the seabed

¹³ Greenpeace France, Coup dur pour Total : Greenpeace prouve que le Récif de l'Amazone s'étend jusqu'à l'intérieur de ses blocs pétroliers, avril 2018 www.greenpeace.fr/espace-presse/coup-dur-total-greenpeace-prouve-recif-de-lamazone-setend-jusqua-linterieur-de-blocs-petroliers

¹⁴ Surfrider Foundation, Fact Sheet on Offshore Oil Drilling, October 2014 oregon.surfrider.org/wp-content/uploads/2014/10/NTA_FACT-SHEET_FINAL.pdf

¹⁵ Gitschlag, G.R., M.J. Schirripa, and J.E. Powers. 2000. Estimation of fisheries impacts due to underwater explosives used to sever and salvage oil and gas platforms in the U.S. Gulf of Mexico: Final report. U.S. Dept. of the Interior, Minerals Management Service, Gulf of Mexico OCS Region, New Orleans, LA. OCS Study MMS 2000-087

¹⁶ INERIS - Rapport d'étude- Les enseignements de l'accidentologie liée à l'exploration et l'exploitation des hydrocarbures - 7 mai 2015 www.ineris.fr/sites/ineris.fr/files/contribution/Documents/drs-15-149641-02735a-rpt-forages-rexaccidents-unique-1432733079.pdf

¹⁷ L'Obs, BP : la marée noire du Golfe du Mexique en 15 chiffres, Février 2013 www.nouvelobs.com/planete/20130225.OBS9971/bp-la-maree-noire-du-golfe-du-mexique-en-15-chiffres.html

¹⁸ Challenges, BP: La facture de Deepwater dépasse les 65 milliards de dollars, janvier 2018 www.challenges.fr/finance-et-marche/bp-la-facture-de-deepwater-depasse-les-65-milliards-de-dollars_560478

¹⁹ Sciences Actualités, Deepwater Horizon : une pollution tapie dans les fonds marins ? juin 2016 www.cite-sciences.fr/fr/ressources/science-actualites/detail/news/pi1%5Bcontroller%5D=News&tx_news_pi1%5Baction%5D=detail&cHash=bfa0b670470b8abc2aef70bb73447cfa

¹⁹ www.nwf.org/-/media/PDFs/Wildlife/2013_NWF_Restoring_Gulf_Report_FINAL.pdf

²⁰ Greenpeace France, Forages pétroliers dans le bassin de l'embouchure de l'Amazone: un risque inacceptable, mai 2017 www.greenpeace.fr/forages-petroliers-embouchure-de-lamazone-risque-inacceptable/

²¹ NWF, Restoring a degraded gulf of Mexico: Wildlife and Wetlands three years into the gulf oil disaster, April 2013 www.nwf.org/-/media/PDFs/Wildlife/2013_NWF_Restoring_Gulf_Report_FINAL.pdf

²² The amounts correspond to the financing granted between 2015 and 2017 to the 30 companies with the most oil reserves in very deep water. The full list of these companies is available www.ran.org/bankingonclimatechange2018.

²³ Carbon Tracker Initiative, Carbon supply cost curves, May 2014, www.carbontracker.org/reports/carbon-supply-cost-curves-evaluating-financial-risk-to-oil-capital-expenditures/

²⁴ BNP Paribas, Unconventional Oil and Gas - Sector Policy, group.bnpparibas/uploads/file/csr_sector_policy_unconventional_oil_and_gas_19_12_2017_v_standardized.pdf

²⁵ Le Monde, La Banque mondiale ne financera plus les industries gazière et pétrolière après 2019, 12 décembre 2017. www.lemonde.fr/one-planet-summit/article/2017/12/12/la-banque-mondiale-ne-financera-plus-les-industries-gaziere-et-petroliere-apres-2019_5228546_5226321.html

²⁶ Société Générale, Sector Policy - Oil and Gaz, may 2018 www.societegenerale.com/sites/default/files/2018/oil_gas_sector_policy.pdf

²⁷ Climate Action 100+. www.climateaction100.org/

²⁸ Failure to halt the opening of new projects in ultra deep waters, and to commit to aligning with the objectives of the Paris Agreement within six months, must be followed by a suspension of any further financial support and the same failure within one year must be followed by disinvestment. Time limits of 6 months and one year must also be followed in case of non publication after two years of commitment of a detailed action plan correlated to indicators based on climate science.



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To mitigate the climate and financial risks associated with ultra deep offshore drilling, banks and other financiers must adopt an active oil and gas public policy, in order to:

REMIND OUR REQUESTS

1. STOP ALL FINANCING TO ULTRA DEEP OFFSHORE DRILLING PROJECTS.
2. STOP ALL FINANCIAL SUPPORT TO COMPANIES WITH A SIGNIFICANT SHARE OF THEIR ACTIVITIES IN ULTRA DEEP OFFSHORE DRILLING.
3. IMPLEMENT A ROBUST ENGAGEMENT STRATEGY WITH THE OIL AND GAS MAJORS, MAKING THE CONTINUATION OF THEIR FINANCIAL SUPPORT CONDITIONAL ON :
 - a/ an immediate halt to the opening of new projects in ultra deep offshore;
 - b/ an immediate commitment to align with the objectives of the Paris Agreement.
 - c/ the publication within two years of an action plan to align with the objectives of the Paris Agreement.