

**The True Cost of Chevron: An Alternative Annual Report.  
May 2009**

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## INTRODUCTION

What Chevron's Annual Report does not tell its shareholders is the true cost paid for those financial returns: the lives lost, wars fought, communities destroyed, environments decimated, livelihoods ruined, and political voices silenced.

Nor does it describe the global resistance movement gaining voice and strength against these operations.

Thus, we, the communities and our allies who bear the consequences of Chevron's oil and natural gas production, refineries, depots, pipelines, exploration, offshore drilling rigs, coal fields, chemical plants, political control, consumer abuse, false promises, and much more, have prepared an Alternative Annual Report for Chevron.

Our account reveals the true impact of just a handful of Chevron's operations in the United States in communities across Alaska, California, Colorado, Florida, the Gulf Coast, Mississippi, New Jersey, New York, Utah, Washington, D.C, and Wyoming; internationally across Angola, Burma, Canada, Chad, Cameroon, Ecuador, Iraq, Kazakhstan, Nigeria, and the Philippines. These accounts are demonstrative, not inclusive. We would need 100 reports to take account of all such impacts.

These accounts include active lawsuits against the company from across the country and around the world, totalling in the tens of billions of dollars, which threaten its vaulted financial gains. For when a company operates in blatant disregard for the health, security, livelihood, safety, and environment of communities within which it operates, there can be real financial repercussions.

The world sits on a precipice. Oil is running out. The oil that is left is found in more environmentally, socially, and politically sensitive areas and is more hotly contested.

Chevron contends in its 2008 Annual Report that "Meeting future demand will be one of the world's great challenges—but one that Chevron is convinced can be met in an environmentally responsible way." Nothing in this report supports such a contention. Nor does it indicate that Chevron will be able (or seek) to do so in a manner that protects social, political, or human rights.

While spending, at best, less than 3 percent of its capital and exploratory budget on green energy in 2008, Chevron may wish to market itself as an "alternative energy" company that is "part of the solution," but few truly believe its hype. Rather, the movements to embrace real energy alternatives and hold Chevron to a full account for its disastrous actions is gaining far greater currency than the company's billions can ultimately withstand.

The costs associated with extracting what is left of the world's oil will only rise. We ask readers to view these costs not as abstract issues but as factors that directly harm the lives of real people all across the planet, including your own. And to know that change is

coming.

## **MAP OF CHEVRON GLOBAL OPERATIONS**

Map appears in print version of report.

Sources for map are: “Delivering Performance,” Chevron 2008 Supplement to the Annual Report; Form 10-K, Chevron Corporation, period: December 31, 2008; and Chevron Worldwide at <http://www.chevron.com/countries/>

## **CHEVRON CORPORATION BASICS**

- Chevron:** 2nd largest U.S. oil company,<sup>1</sup> 3rd largest U.S. corporation,<sup>2</sup> 4<sup>th</sup> largest global oil company,<sup>3</sup> 6th largest global corporation<sup>4</sup> (by revenue).
- World Headquarters:** San Ramon, California, USA
- CEO:** David O'Reilly, 15th highest paid U.S. CEO with nearly \$50 million in total 2008 compensation. Over \$120 million over the last 5 years.<sup>5</sup> (Forbes)
- Corporate Website:** [www.chevron.com](http://www.chevron.com)
- Profits:** According to its annual shareholder reports, Chevron received \$23.9 billion in 2008 profits, the highest in company history, and a 28% increase from 2007. Profits have increased every year since 2002, increasing 2100% from 2002 to 2008.
- Oil Reserves & Production:** Chevron's holds 7.5 billion (just behind Exxon's 11 billion and BP's 10 billion) in reserves. It produces nearly 3 million barrels of oil per day. Together, Chevron, ExxonMobil, BP, ConocoPhillips, Shell, and Marathon produce more oil than Saudi Arabia—about 13% of the world's total oil supply for 2006.<sup>6</sup>
- Operations:** Chevron operates in 120 countries.<sup>7</sup> It explores for, produces, refines, transports, and markets oil, natural gas, and gasoline. Major operations also include chemical, coal mining, and power generation companies.<sup>8</sup>
- History & Mergers:** In 1876, star oil Works struck oil in southern California. The Pacific Coast Oil Company acquired the company a few years later, followed by John D. Rockefeller's Standard Oil Company in 1900—naming it the Standard Oil Company of California (SoCal) in 1906. In 1911 the U.S. Supreme Court ordered the break-up of Standard Oil; SoCal was the third largest post-breakup company. In 1985 SoCal bought Gulf oil—the largest merger in U.S. history at that time—and changed its name to “Chevron.” In 2001 Chevron bought Texaco (which had purchased the giant Getty Oil in 1984). Briefly called “ChevronTexaco,” it went back to “Chevron” in 2005, the same year it purchased the Union Oil Company of California (Unocal).

## **POLITICAL INFLUENCE AND CONNECTIONS: HOW CHEVRON SPREADS ITS MONEY AROUND**

### Federal Elections

Chevron is among the all-time largest corporate contributors to U.S. federal elections, giving more than \$10.5 million since 1990—75% of which went to Republican candidates.<sup>1</sup>

Chevron's campaign giving reflects its areas of operations and key congressional committees. All but four of its 20 all-time top recipients are Republicans, including Don Young of Alaska, Trent Lott, Tom DeLay, Kay Bailey Hutchison, and Phil Gramm of Texas, Craig Thomas of Wyoming, and Bill Thomas of California. Among the four Democrats is oil-rich Louisiana's senator, Mary Landrieu.

But California is the site of Chevron's world headquarters as well as of half its domestic production and two of its six refineries, making it the primary focus of Chevron's campaign giving. Thus, among Chevron's top 20 list of all-time-highest recipients are senior Senator Dianne Feinstein and Representative Ellen Tauscher of California, both Democrats. Until very recently, Chevron's number one all-time recipient was Republican congressman Richard Pombo, who represented San Ramon, the location of Chevron's world headquarters, for 14 years. As Chairman of the House Resources Committee, Pombo did more than just about any other politician to support the interests of Chevron and Big Oil, earning him the number one spot on the League of Conservation Voters' "Dirty Dozen" Members of Congress list for 2006, the same year that public outrage voted him out of office.

Until 2008, 2000 was the oil and gas industry's most expensive election year ever recorded. On the eve of its Texaco merger, Chevron gave more than any other oil company to federal campaigns, with George W. Bush being its favorite candidate. Chevron and its employees contributed six times more money to George W. Bush's candidacy than to Al Gore's. Chevron also gave to the Bush-Cheney 2001 Presidential Inaugural Committee, including a \$100,000 donation by CEO David O'Reilly.

For its investment, the company received not only an oil government but also one of its own in the President's inner circle. Condoleezza Rice, first appointed Bush's National Security Advisor and then Secretary of State, served on Chevron's board of directors from 1991 to 2001 and chaired its Public Policy Committee. A Chevron supertanker was named in her honor, the SS Condoleezza Rice.

The oil and gas industry's 2008 federal election spending topped all its previous records, reaching nearly \$35 million, 77% of which went to Republicans. Chevron was the third largest oil and gas company contributor that year, giving 75% of its money to Republicans. 2008 was also the most expensive presidential election for the oil and gas industry, with the industry as a whole giving nearly three times more to John McCain

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<sup>1</sup> All campaign contribution and lobbying data from the Center for Responsive Politics' "Open Secrets" web Data Base, using Federal Election Commission data.

than to Barack Obama: \$2.3 million vs. \$800,000.

Chevron's executives gave heavily to McCain and the Republican National Committee (RNC), with individual donations in the tens of thousands of dollars. CEO David O'Reilly, for example, gave \$4,600 to John McCain (the personal limit) and another \$53,000 to the RNC.<sup>9</sup> However, Chevron's rank and file employees, with contributions in the hundreds of dollars, helped put Obama in the White House, causing Obama to become Chevron's all-time highest campaign recipient, just barely inching out John McCain (\$75,525 vs. \$74,413). Richard Pombo is now the third all-time highest recipient, followed by George W. Bush.

Chevron's executives still have something to celebrate. For, just as George W. Bush appointed a Chevron board member to be his National Security Advisor, so, too, did Obama, with the appointment of General James Jones [see Jones box].

### Federal Lobbying

There are limits to how much money individuals and corporations can spend on elections, and the public spotlight on giving by an industry as reviled as Chevron's can often harm a candidate more than help it. There are no such restraints on lobbying. From 1998 through 2008, Chevron's nearly \$70 million spent on lobbying the federal government was more than eleven times greater than the \$6.2 million the company spent on elections. With Democrats in control of both the Congress and the White House, Chevron spent more money on federal lobbying in 2008 than in any previous year (previous records were set during merger years: the 2000 merger with Texaco and the 2005 merger with Unocal).

According to the Federal Lobbying Database, Chevron's 2008 lobbying was both predictable and effective. It lobbied against legislation to improve environmental, public health, worker, consumer, and human rights protections, to combat climate change, to better regulate energy futures trading, to increase corporate taxes, to support incentives for alternative fuels and sustainable energy alternatives, to increase public transportation spending, and for harmful free trade agreements, among other issues.<sup>10</sup>

Chevron also lobbies through proxies, including the American Petroleum Institute, the U.S. Chamber of Commerce [see Jones box], and the Global Climate Coalition—which led an aggressive lobbying and public relations campaign throughout the 1990s and until 2002 against the idea that emissions of heat-trapping gases could lead to global warming. All the while, according to a recent lawsuit, its own scientists found precisely the opposite: that the science backing the role of greenhouse gases in global warming could not be refuted.<sup>11</sup>

### State and Local

It is far more difficult to monitor state level campaign and lobby spending. Reports from the states where Chevron operates, however, demonstrate that it is a heavy political hitter everywhere it works, with those communities surrounding its operations known as

“company towns.” Chevron spreads its wealth to influence state and local elections and policy-making through its own lobbying, state and local Chambers of Commerce, media saturation, and token contributions to civic organizations. In California, Chevron is the state’s largest corporation and the dominant oil industry force before the State legislature, led by its chief lobbyist, Jack Coffey, and with its support of the Western States Petroleum Association. As Coffey explains, Chevron’s money is spent “to be sure our business opportunities can continue in the way we want them to continue.”<sup>12</sup> Chevron’s lobbying helped kill Proposition 87 and almost a dozen bills opposed by Big Oil before California’s state legislature in 2006 [see California box].<sup>13</sup> Commenting on the death of his bill—a 2% surtax on oil company profits of more than \$10 million—California Assemblyman Johan Klehs said, “I cannot believe how many legislators don’t have the courage to stand up to them.”<sup>14</sup>

### **Sex, Bribes, and Paintball: Chevron and the U.S. Department of Interior**

In September 2008 the U.S. Department of Interior’s (DOI) Inspector General found that staff of the Minerals Management Service had accepted thousands of dollars in industry gifts, used cocaine, and engaged in sex with oil industry representatives, finding “a culture of ethical failure” pervading the agency.<sup>15</sup> As the Associated Press reported, “Government officials handling billions of dollars in oil royalties partied, had sex with and accepted golf and ski outings from employees of energy companies they were dealing with.”<sup>16</sup>

Thirteen former and current DOI employees in Denver and Washington were accused of rigging contracts, working part-time as private oil consultants, and having sexual relationships with—and accepting improper gifts from—oil company employees. The investigations revealed a “culture of substance abuse and promiscuity...wholly lacking in acceptance of or adherence to government ethical standards.”<sup>17</sup>

Chevron was among four companies accused of, among other things, providing gifts to DOI employees, in what the report described as “a textbook example of improperly receiving gifts from prohibited sources.”<sup>18</sup> Chevron gave more than \$4,700 in gifts to nine separate employees, including senior supervisors, over the five-year investigation period. The gifts included meals, drinks, tickets to athletic games, and a day playing paintball. One government employee admitted to a romantic relationship with a Chevron representative.<sup>19</sup>

Chevron was the only company singled out by Inspector Devaney for its refusal to cooperate. Devaney wrote to then Interior Secretary Kimphorne, “I know you have shared my frustration with the length of time these investigations have taken, primarily due to the criminal nature of some of these allegations...and the ultimate refusal of one major oil company—Chevron—to cooperate with our investigation.”<sup>20</sup>

### **General James L. Jones: Chevron’s Oil Man in the White House**

Retired Marine Corps General and Commandant James L. Jones served on Chevron's Board of Directors from May through December 2008. Jones was also president and CEO of the U.S. Chamber of Commerce's Institute for 21st Century Energy, a position he held from the Institute's founding in June 2007 until he was appointed Obama's National Security Advisor in December 2008.

The U.S. Chamber of Commerce is the preeminent lobbying body for U.S. business and the most powerful lobbying force before the federal government. From 1998 to 2008, the Chamber spent nearly half a billion dollars lobbying the federal government—more than twice as much as the American Medical Association, the next highest spender. In 2008 alone, the Chamber spent more than any other lobbying entity—nearly \$100 million—versus number two, ExxonMobil, with a mere \$29 million.<sup>21</sup>

The Chamber's hostile approach to climate change legislation is well stated by its President and CEO, Thomas Donohue: "Now, with the emergence of climate change as a major issue, we face the risk of digging our country into an even deeper hole when it comes to potentially crippling restrictions on our ability to acquire, produce, and use energy."<sup>22</sup>

To focus its energy-related lobbying, the Chamber founded the Institute for 21st Century Energy with "key oil company backing" and appointed General Jones its president and CEO.<sup>23</sup> Jones was a natural fit, as the Houston Chronicle reports: "during his 2003-2006 stint as NATO's supreme commander, Jones stressed his view that energy policy was a top national security matter for the United States and a leading international security priority."<sup>24</sup> At the Institute, he continued this approach, working to integrate U.S. energy and national security policy more directly, thus implying a more formal linkage between oil and military policy.

At the Institute's formal launch, Jones stressed the link: "When I retired in February after 40 years in the Marines, I wanted to stay engaged in national security and this is the best opportunity without having to go back to the Pentagon."<sup>25</sup> Just before his appointment to the Obama administration, Jones delivered a speech in November 2008, explaining how to achieve this goal, recommending "the creation of a new office within the Executive Office of the President. The leader of this office would be responsible for coordinating the implementation of all aspects of federal energy policy, and would be represented on the National Economic Council and National Security Council. Energy must henceforth be considered a vital component of BOTH our economic and national security."<sup>26</sup>

Accordingly, it has been reported that under Jones' leadership, "the Obama NSC [National Security Council] has moved to assert greater White House control over the policymaking process...Jones has directed NSC officials to lead interagency meetings with their counterparts...[in] working groups that were previously headed by State Department officials."<sup>27</sup>

Jones has also expressed in speeches a strong support for the oil and gas industry's

broader policy agenda, recommending the need to repeal “remaining moratoria on domestic energy production and exploration,” expand leasing for oil and gas and the use of clean coal and nuclear power, and reduce “burdensome regulations“ that stymie energy production and industry innovation.<sup>28</sup>

“We’re very excited and enthusiastic that there will be somebody in the administration and in the White House who has talked about “offshore drilling and energy security,” Dan Naatz of the Independent Petroleum Association of America told the Houston Chronicle upon Jones’ appointment.<sup>29</sup>

### **William J. Haynes: Chevron’s In-House “Torture Lawyer“**

William J. Haynes resigned as Department of Defense general counsel, the Pentagon’s chief civilian lawyer, on February 25, 2008. Two days later, Chevron hired Haynes as chief corporate counsel, managing Chevron’s 45-attorney legal department.<sup>30</sup>

While Chevron generally announces major hires with a press release, there was none for Haynes. This was not surprising, given Haynes’ deep involvement in the Bush administration’s “terror memos.” Haynes wrote or supervised memorandums that secretly authorized harsh treatment for detainees at Guantánamo Bay, Cuba, and Iraq.<sup>31</sup> President Obama has said that these and similar memos “reflected, in my view, us losing our moral bearings,” and has left open the possibility that officials who approved the techniques could face legal liability.<sup>32</sup> Back in December 2008 The New York Times editorialized that “a strong case” had already been made for bringing criminal charges against Haynes.<sup>33</sup>

In 2006 twenty retired military officers, including the former chief of staff to Secretary of State Colin Powell, wrote the Senate Judiciary Committee, expressing their “deep concern” about Haynes’ fitness to serve as a federal judge, because he approved coercive techniques to interrogate terror suspects. The officers urged a thorough examination of Haynes’ role in adopting policies “that compromised military values, ignored federal and international law and damaged America’s reputation and world leadership.” The letter cited Haynes’s recommendation that dogs be used “to exploit phobias” of suspects.<sup>34</sup>

While President Bush ultimately withdrew Haynes’ nomination, Chevron apparently had no such qualms when hiring him.

In December 2008 the Senate Armed Services Committee released a report, “Inquiry into the Treatment of Detainees in U.S. Custody,” concluding that Haynes, among others, shares much of the blame for “detainee abuse at Abu Ghraib prison in Iraq, and Guantanamo Bay, Cuba.”<sup>35</sup> Spanish prosecutors are now contemplating criminal charges against him.<sup>36</sup>

### **J. Stephen Griles: Current Convict—Ex-Chevron Lobbyist**

One of Chevron's more famous former lobbyists is J. Stephen Griles, currently in prison after pleading guilty to felony charges as part of the Jack Abramoff money-for-influence scandal. A 2004 report by the U.S. Inspector General described Griles' tenure as undersecretary of George W. Bush's Interior Department as "an ethical quagmire."<sup>37</sup> Griles worked for Chevron on at least two occasions. In 2000 just before joining the Bush White House, Griles lobbied for Chevron on behalf of its merger with Texaco.<sup>38</sup> Two years earlier, the Department of Justice sued Chevron and others for using an elaborate swapping scheme to cheat on royalties owed to private and state landowners and the federal government. Chevron hired Griles to testify as an expert witness on its behalf. Chevron settled for \$95 million.<sup>39</sup>

## **Banking on California**

*Chevron's powerful political influence costs California billions in vital tax dollars.*

As 2009 began, the state of California sat on the precipice of bankruptcy. Facing a more than \$40 billion budget shortfall, the state implemented \$15 billion in spending cuts across a wide array of vital public services and government programs.

In the midst of the budget battle, Governor Arnold Schwarzenegger proposed a 9.9% oil severance fee that could have raised between \$800 million to \$1 billion a year or more, depending upon the price of oil and production levels. But, under heavy industry lobbying, it was stripped from the budget at the last minute.<sup>40</sup>

California sits on about 3.5 billion barrels of oil: the third largest proven oil reserves in the nation. Chevron pumps more oil than any other company in the state—about 33%. ExxonMobil and Royal Dutch Shell (based in Houston and The Hague, respectively) pump another 30% through the joint venture Aera Energy. Occidental Oil (based in Los Angeles) produces another 13%.

California is the only state that fails to impose a tax on companies when they sever that oil from the ground. State fees range from 2% to as much as 12.5% in Louisiana and 12.25% in Alaska on the value of a barrel of oil.<sup>41</sup> California oil companies, in fact, pay the lowest amount of overall taxes on oil in the country by a substantial margin due to, among other things, the lack of an oil severance tax; the comparatively small cost paid in sales tax on equipment; the apportioning of corporate taxes with an effective corporate rate on oil companies of about 3%; and property taxes paid by oil companies being kept low under Proposition 13.<sup>42</sup>

Nonetheless, the Governor's severance tax failed. To understand why (and how), we need to look back just two years, when California voters tried and failed to implement a similar tax in what became the most expensive ballot measure ever fought in U.S. history. Proposition 87, which appeared on the November 2006 California state ballot, would have implemented a 6% oil severance fee and directed the funds to investments in alternative energy. When first introduced, more than 60% of Californians polled

supported it. But at the voting booth, the measure was defeated. What took place in the intervening five months is the story of how Chevron flexes its political muscle. Money lies at the heart of the story. For every dollar that the supporters of Prop 87 spent, the oil companies spent two, and were always prepared to spend more. In total, opponents spent more than \$100 million to defeat Proposition 87.<sup>43</sup>

The leader, according to then-California Secretary of the Environment, Terry Tamminen, was Chevron's Sacramento lobbyist, Jack Coffey. "It was Chevron's home turf," Tamminen explained, "so the others followed Coffey's lead."<sup>44</sup>

"When we launched a campaign against Big Oil," explained Prop 87 Communications Director Yusef Robb, "the people of California did not understand that Big Oil was our opponent. It was cloaked behind front groups, consultants, and lobbyists, and the cloak was secured by the lack of media scrutiny."<sup>45</sup> Media inquiries made to the oil companies were diverted to the campaign's front group, Californians Against Higher Taxes, virtually 100% funded by oil company money,<sup>46</sup> or to the California Chamber of Commerce, a huge recipient of oil industry largesse on the local, state, and national levels with boards of directors littered with past and present oil industry executives.

Prop 87 opponents inundated airwaves and voters mailboxes with the argument that gasoline prices would go up because costs would rise and oil companies would be forced to abandon California. This claim was supported by an "independent" expert analysis provided by LECG, a consulting firm. LECG turned out to have been paid by the opponents of Prop 87 to write the report and share the results with the public.<sup>47</sup> Economists challenged these claims as specious: the tax was simply too small to have any meaningful impact on the expenditures of these mega corporations. The idea that they would abandon California was even more ludicrous given, for example, how hard the companies were trying to get further into Alaska, a state with one of the highest severance taxes in the nation. But the argument worked. On Election Day, the number one issue that Californians said guided their "no" votes was the fear of rising gasoline prices.<sup>48</sup>

## **SQUEEZING CONSUMERS AT THE PUMP**

Chevron makes its money in two primary ways: (1) producing oil and natural gas and (2) refining and then selling those resources as products—primarily gasoline. Chevron has increasingly focused on raising the profitability of the latter sector, with great success. Chevron's dominant presence in the refining sector allowed it to offset the drop in oil prices with a corresponding 10-fold increase in its refinery profits in the last quarter of 2008 alone.<sup>49</sup>

Many argue, however, that Chevron's success is derived from methods that harm consumers, including unethical and illegal activities. Such concerns received considerable support when on April 3, 2009 the U.S. 9th Circuit Court of Appeals revived a class action lawsuit against Chevron. The suit accuses Chevron and other

refiners of conspiring to fix gasoline prices in California. Like most suits against Chevron, the case has spent years in court. Originally filed in 1998, the plaintiffs, a group of wholesale gasoline buyers, contend that the companies intentionally limited the supply of gasoline to raise prices and keep them high. A federal judge dismissed the case in 2002, but, upon appeal, the Court reversed the ruling.<sup>50</sup>

## Price Control

Chevron reports that in 2008, it operated five U.S. oil refineries and, between its Chevron and Texaco brands, owned and leased 9,685 U.S. gas stations.<sup>51</sup>

In California, Chevron helps maintain the state's oil oligopoly, with just four refiners owning nearly 80% of the market and six refiners, including Chevron, owning 85% of the retail outlets, selling 90% of the gasoline in the state.<sup>52</sup> This is the primary reason why Californians regularly suffer the nation's highest gasoline prices.

A wave of mega-mergers over the last 25 years has led to thousands of independent oil refineries and gas stations across the U.S. being swallowed or crushed by Big Oil. Chevron, ExxonMobil, ConocoPhillips, BP, Shell, and Valero control almost 60% of the U.S. refining market—nearly twice as much as the six largest companies controlled just 12 years ago.<sup>53</sup> These same companies, with the exception of Valero, control more than 60% of the nation's gas stations, compared with 27% in 1991.<sup>54</sup>

There has not been a single new refinery built in the U.S. in more than a generation. In 1981 there were 324 refineries, owned by 189 different companies. Today there are 150, owned by just 50 companies.<sup>55</sup> The companies have, in turn, closed gas stations and ceased to build new ones. While the number of cars on the road has more than doubled over the last 25 years, the number of gas stations has declined by one-third, bringing about the near disappearance of the small, independently owned gas station.<sup>56</sup> In 2008 alone, over 2,500 gas stations closed, leading National Petroleum News to conclude, "This is in line with the continued but increased consolidation in the industry in the past year."<sup>57</sup>

Through consolidation, the companies have sought and achieved far greater control over how much oil gets refined into gasoline, how much gasoline is available at the pump, and how much the gasoline costs. This control is often believed to take the form of outright illegal manipulation. But proving manipulation is difficult and lawsuits that survive to trial are rare because they are notoriously difficult to win. Due to successful industry lobbying, information on refinery and gas station operations is rarely a matter of public record and is difficult to acquire. For example, a bill by California State Senator Joe Dunn to merely give the California Public Utility Commission the authority to monitor oil refinery production to ensure fair market competition got nowhere because, according to Dunn "The gasoline industry has an enormous voice... Too many [other legislators] were too concerned about what this industry might do in the campaign this fall."<sup>58</sup>

Oil companies' unparalleled financial and personnel resources allow them to crush

challengers with drawn out, expensive, and complicated proceedings. When plaintiffs' victories do occur, they are often settlements with sealed proceedings that leave no public record of corporate-wrongdoing, and force future cases to begin from scratch.<sup>59</sup> Chevron likes to go further, kicking losing opponents when they are down by launching countersuits to recoup legal fees that mean nothing to its bottom line but can mean bankruptcy for those who dare to challenge the company.<sup>60</sup> Moreover, the federal agency charged with overseeing collusion in the industry, the Federal Trade Commission, is overrun with lawyers who take brief stints at the agency in between jobs working for or on behalf of the very companies they are supposed to regulate.<sup>61</sup>

In 2006 Senator Arlen Specter called for “an examination of what oil and gas industry consolidations have done to prices... We have allowed too many companies to merge together and reduce competition.” Senator Dianne Feinstein concurred: “What you have today is an oligopoly in the oil and gas industry, and I think it’s disastrous for the American people.”<sup>62</sup>

### Consumer Demands

Consumer organizations including Consumer Watchdog, Consumer Federation of America, and Public Citizen demand greater transparency in refinery and gas station pricing and operations and state and federal legislation addressing price gouging and collusion. State Attorneys General and Members of Congress have gone further, demanding the breakup of Big Oil.

## **CHEVRON’S HYPE ON ALTERNATIVE ENERGY**

“In the future, you are going to need every molecule of oil that you can get from every source...” —Don Paul, Chevron<sup>63</sup>

“People who think that peak oil will occur are just looking at conventional oil. You have to think beyond that. Think of all the other hydrocarbon sources, the oil sands in Canada... Think of all the remote areas of the world that have not yet been explored. . . .” —David O’Reilly, Chevron CEO, 2006<sup>64</sup>

Chevron’s “human energy” advertisements are everywhere. The commercials—which end with the words “oil,” “geothermal,” “solar,” “wind,” “hydrogen,” and “conservation” flashing one at a time between the three bars of Chevron’s logo—encourage us to believe that the company is equal parts clean energy, conservation, and oil.

We understand the threats of climate change and that oil is a non-renewable natural resource that will run dry. It naturally follows that oil companies would lead the way in the development of alternatives because “How else do they plan to stay in business when the oil runs out?” Logical, but wrong.

Chevron plans to stay in business by pursuing every last drop of oil available on the

planet and doing so using increasingly environmentally destructive methods. It is also expanding into other areas, such as coal, chemicals, and so-called “frontier hydrocarbons,” such as heavy oil from the Canadian tar sands and Midwestern shale.

Chevron does make limited investments into renewable energy alternatives. However, these investments are token compared to the amounts spent on its oil and natural gas business and are clearly meant less to make Chevron a “part of the solution” to the world’s climate crises, as its commercials claim, than to appease public opinion.

Using incredibly generous estimates, I found that Chevron spent, at best, less than 3% of its total capital and exploratory expenditures on clean alternative energy in 2008.

### Finding the Numbers

You might think, given Chevron’s ad campaigns, that it would be eager to demonstrate its commitment to renewable alternative energy. In fact, one has to be quite a sleuth. Chevron’s public relations materials state that it expects “to invest more than \$2.5 billion from 2007 through 2009” in “renewable alternative energy sources.” But nowhere will you find more detailed breakdowns that attach actual dollar amounts to specific investments in specific years.

The best sources are Chevron’s supplement to its annual reports and 10-K tax filings with the U.S. Securities and Exchange Commission. There we find charts listing the company’s total “capital and exploratory” expenditures that show that from 2006 through 2008, they totaled \$16.6 billion, \$20 billion, and \$22.8 billion, respectively. Of that, Chevron spent approximately \$16 billion in 2006, \$19 billion in 2007, and \$21.7 billion in 2008 exploring for, producing, refining, marketing, and transporting oil and natural gas. It spent an additional \$200 million, \$271 million, and \$485 million on its chemical business in each year, hardly a “green” business [see Chemicals box].

There is one final catchall category for the rest of Chevron’s expenditures: the “all other” category, which covers Chevron’s “mining operations, power generation businesses, worldwide cash management and debt financing activities, corporate administrative functions, insurance operations, real estate activities, alternative fuels and technology companies, and the interest in Dynergy prior to its sale in May 2007.”<sup>65</sup>

Chevron’s total expenditures in this category were \$417 million, \$774 million, and \$625 million in 2006, 2007, and 2008. While Chevron increased its expenditures in virtually every other area of capital and exploration between 2007 and 2008, its investments in the “all other” category declined by nearly \$150 million. This reduction reflects a trend across the industry, with companies dropping or cutting renewable energy investments as the economy has soured.

So, which of these expenditures can be considered “green”? Certainly not Chevron’s Coal Company [see Coal box]. That leaves “power generation and alternative fuels and technology companies,” as potential “green” investments, but even these include “dirty” expenditures.

## Chevron's Power Generation

Chevron is the world's leading producer of geothermal energy. According to the company, in 2007, most of its renewable energy investments were in geothermal.<sup>66</sup> Chevron has four geothermal plants, located in Indonesia and the Philippines.

However, Chevron also has an additional 13 power generation facilities in the United States and Asia "developing and operating commercial power projects for utilities and large industrial customers worldwide."<sup>67</sup> These projects generate more than 5,500 megawatts of electricity and include traditional electric utilities, which are a major source of air pollutants that affect human health and the environment, including sulfur dioxide, a powerful asthma trigger, and nitrogen oxide, a component of ozone smog.

According to the American Lung Association, electric utilities produce 66% of all sulfur dioxide emissions nationwide. Sulfur dioxide contributes to the formation of fine particles and to acid rain. Power plants are also the source of 29% of nitrogen oxide (NOx) emissions. NOx is a major component of ozone smog and fine particulate matter, which affect the health of millions. Other pollutants produced by electric utilities include carbon dioxide and heavy metals such as mercury.<sup>68</sup>

## Chevron's Technology Companies

Chevron has three technology companies, two of which include green energy expenditures: Chevron Energy Solutions and Chevron Technology Ventures.

Chevron Energy Solution (CES) is a wholly owned subsidiary that provides public institutions and businesses with sustainable projects designed to increase energy efficiency and reliability, reduce energy costs, and utilize renewable and alternative-power technologies. According to the company, major projects completed by CES in 2008 included several large solar panel installations in California. Chevron Technology Ventures (CTV) manages investments and projects in emerging energy technologies and their integration into Chevron's core businesses. As of the end of 2008, CTV was investigating technologies such as next-generation biofuels, advanced solar power, and enhanced geothermal.<sup>69</sup> But, these investments are not without their environmental drawbacks [see Biofuels box].

There is one other section in the 10-K which could also include investment in green energy: Chevron's total research and development expenses, which were, for the entire corporation, \$835 million, \$562 million, and \$468 million for the years 2008, 2007, and 2006, respectively, at least a portion of which likely went to research within CTV.

Less than 3% in 2008

Let's be extremely generous for ease of calculations to take account of these potential research investments, and, for argument's sake, simply credit Chevron with the entire "all other" category to the green column: \$417 million in 2006, \$774 million in 2007, and

\$625 million in 2008. That is not only extremely generous, it is also only 2.4%, 3.8%, and 2.8% of Chevron's total capital and exploratory expenditures. Not even a measly 4%. Another way to look at it? In 2006, Chevron purchased the most expensive offshore oil-drilling rig in history for \$600 million—one and 1/2 times its entire green energy investments that year.

### **Chevron's Coal Company**

Chevron controls approximately 200 million tons of proven and probable coal reserves in the U.S. It owns and operates two surface coal mines, McKinley, in New Mexico, and Kemmerer, in Wyoming, and one underground coal mine, North River, in Alabama. It also owns an interest in Youngs Creek Mining Company in Wyoming.<sup>70</sup> Coal is the country's largest, dirtiest source of electricity and climate-changing greenhouse gases. It is the most carbon-intensive fossil fuel, emitting 29% more than oil and 80% more carbon dioxide per unit of energy than gas. U.S. coal plants are a leading cause of asthma and lung cancer. Despite what the coal industry would have us believe, there is no such thing as "clean coal." From acid drainage from coal mines polluting rivers and streams to the release of mercury and other toxins when it is burned, as well as climate-destroying gases and fine particulates that wreak havoc on human health, coal is unquestionably a dirty business.<sup>71</sup>

### **Chevron's Chemical Company**

Chevron's chemical business, a partnership with ConocoPhillips, includes the operation of 35 separate chemical manufacturing facilities across the United States and the world, producing a host of toxic chemicals that are dangerous to the communities where they are produced and where the products are disposed of, including polystyrene, styrene, paraxylene, and benzene, a known human carcinogen.<sup>72</sup>

Polystyrene, for example, is more commonly known as Styrofoam. Styrene, the basic building block of polystyrene, is listed as a possible human carcinogen. The process of making polystyrene pollutes the air and creates large amounts of liquid and solid waste. The use of hydrocarbons in polystyrene foam manufacture releases the hydrocarbons into the air; there, combined with nitrogen oxides, they form tropospheric ozone, a serious air pollutant.<sup>73</sup> Discarded polystyrene, commonly used to make fast food containers and cups, does not biodegrade and is resistant to photolysis.<sup>74</sup> These are the most common form of marine debris, clogging and polluting waterways and costing local governments millions in clean up costs.<sup>75</sup> Fifty cities and counties across California alone have passed Polystyrene Ordinances, most banning its use altogether in takeout food packaging.<sup>76</sup> A statewide ordinance, pushed by groups such as Californians Against Waste, has been introduced by Assembly Member Mike Feuer.

In 2006 Chevron Phillips Chemicals was fined almost \$300,000 for nine air quality violations at its Port Arthur plant. The ruling found that Chevron Phillips and other facilities emitted a combined total of 7.5 million pounds of pollution, while bypassing existing state and federal limits by attributing the excess emissions to exempt categories

such as startups, shutdowns, malfunctions, or maintenance.<sup>77</sup> In 2004 Chevron Phillips Chemical paid a \$1.8 million penalty for violations that killed three people and injured nearly 100 at its Pasadena, Texas facility in 1999 and 2000. The government alleged that the company and/or its predecessor, Phillips Chemical, failed to exercise sufficient care to prevent accidental releases of chemicals.<sup>78</sup>

## **Chevron's Biofuel MisInvestments**

By Rainforest Action Network

Chevron's Catchlight Energy LLC, a 50-50 joint venture with Weyerhaeuser Company, is "focused on the research, development and commercialization of profitable, low-carbon biofuels from nonfood, forest-based resources."<sup>79</sup> Weyerhaeuser, one of the largest logging companies in the world, owns or has long-term leases to over 43 million acres of forests and plantations in large-scale operations in North and South America, and has been accused by Amnesty International of human rights abuses stemming from logging in indigenous territories in Canada against the communities' consent.<sup>80</sup> Unfortunately, Catchlight focuses on the use of "waste" lying below tree level to be harvested and turned into fuels. However, in the forest, there is no such thing as "forest waste." Without undergrowth, the soil becomes progressively unhealthy. As its existing soil is eroded, Weyerhaeuser will be forced to either increase its use of harmful pesticides or acquire even more forestland.

Chevron is also involved in research activities aimed at the commercialization of next-generation biofuels with the University of California at Davis, the Georgia Institute of Technology, Texas A&M University, and the National Renewable Energy Laboratory. A key problem with commercialization of biofuels is the need to find millions of acres of land to grow dedicated energy crops, like switchgrass or plantation trees. Where will this land come from? Will it replace food crops, or displace people such as indigenous and other groups lacking land tenure? Will it hasten the logging of forests and tree plantations to generate biomass for next-generation biofuels? Will it require the U.S. to continue to pull land out of the U.S. Conservation Reserve Program, sacrificing long-term environmental protection to increase biofuel production? Because of the massive amounts of land, technology, and financial investments needed to produce enough biofuels to meet new U.S. and European requirements, a Businessweek article recently concluded with an assessment reached by RAN and other environmental groups long ago, that "the only people who are going to be able to survive [production of biofuels] are the Big Oil companies."<sup>81</sup>

We cannot grow our way out of our addiction to oil. Instead, we should write Big Oil out of our energy story altogether, through investments in energy efficiency and consumption reduction, mass transit, bike transit, and electric vehicles recharged by a green grid.

## **II. The United States**

## **Chevron in Alaska**

By Trustees for Alaska

“Chevron raked in record profits in 2008 and they shouldn’t treat Cook Inlet fisheries as their private dumping grounds.” —Bob Shavelson, Executive Director, Cook Inletkeeper

Through Chevron’s 2005 acquisition of Unocal Corporation, it obtained Unocal’s crude oil and natural gas operations in Alaska’s Cook Inlet.<sup>82</sup> Chevron now operates 10 oil platforms and several onshore and offshore oil- and gas-producing facilities in Cook Inlet.

Since the 1960s oil and gas production facilities in Cook Inlet have been dumping toxic pollutants directly into the water. Most of the pollution comes from millions of gallons of seawater that is injected into the subterranean oil reservoir to maintain pressure. As oil and gas are pumped to the surface, they are separated from the seawater, which is left with a toxic mixture of oil, grease, heavy metals, and other pollutants. In 1996 the U.S. Environmental Protection Agency (EPA) began requiring coastal operators to re-inject this toxic soup back into the reservoir, achieving “zero discharge” of pollution. Only in Cook Inlet does EPA still allow the contaminated brew to be dumped directly into coastal waters.<sup>83</sup>

### **Chevron Dumping Pollution into Cook Inlet**

In 2002, the only year for which EPA has provided information, 19 oil and gas facilities dumped approximately 279 tons of oil and grease into Cook Inlet. Chevron’s Trading Bay Production Facility accounts for 95% of the pollution.<sup>84</sup>

Since acquiring Trading Bay and the other Unocal facilities, Chevron has fought to protect and enlarge its authorization to dump pollution into Cook Inlet. In June of 2007 the EPA reissued a permit for oil company discharges into Cook Inlet, granting Chevron and other facility operators most of what they sought, including the right to increase the discharge of produced water, a waste product that contains a toxic to moderately toxic mixture of hydrocarbons, metals, and other pollutants, and obtain significantly larger mixing zones, which are the areas around the point of discharge where the effluent is allowed exceed water quality standards.<sup>85</sup> During the life of this permit, produced water dumped into Cook Inlet is projected to grow to nearly 10 million gallons per day.<sup>86</sup> As the oil reservoirs beneath the Inlet have been pumped nearly dry, more and more seawater is required to keep up the pressure—and more pollution is being dumped into Cook Inlet.

### **What Chevron Says**

In 2004, the year before its merger with Chevron, Unocal stated, “The economic conditions and technical feasibilities in [the oil and gas effluent guidelines, which exempt Cook Inlet from zero-discharge,] are still appropriate to any discussion of the imposition of additional treatment technologies.”<sup>87</sup> In the course of the ongoing permit process since

the merger, Chevron has not changed its position on zero-discharge. EPA and Chevron are presently scheduled to file opposition briefs in the litigation in June of 2009.

#### Lawsuit Filed by Trustees for Alaska

Public interest environmental law firm Trustees for Alaska, representing Cook Inlet Fishermen's Fund, United Cook Inlet Drift Association, the Native Village of Nanwalek, the Native Village of Port Graham, and Cook Inletkeeper, has challenged the EPA decision to issue a new permit.<sup>88</sup>

In a brief filed in the Ninth Circuit Court of Appeals on December 15, 2008,<sup>89</sup> Trustees for Alaska charged the Bush Administration's EPA with numerous violations of the Clean Water Act in granting the 2007 permit. The brief also charges that EPA cooked the books when it assembled the technical justification for the permit. For example, the brief says:

n Although required to use "all available information" to evaluate pollution levels from current discharges, EPA ignored "hundreds of effluent samples," including three years of the most recent data.

n EPA in at least one instance "fabricated" a pollution concentration, inflating a copper concentration by a factor of 10. The inflated concentration was one rationale for relaxing pollution limits and expanding mixing zones.

n EPA used a "fictional scenario" to model the discharge plume from Chevron's Trading Bay Production Facility, the source of most of the pollution governed by the permit. The Trading Bay facility has a discharge port with two outlets. EPA, confronted by its own computer model demonstrating that pollutants sank to the bottom and put bottom-dwelling organisms and the rest of the food chain at risk, "simply changed the outfall configuration [on the computer model] to a single-port outfall with a smaller port than the size of the two actual ports, thereby changing the trajectory of the discharge, increasing its velocity, and making the bottom contact and its attendant environmental risks disappear."

n EPA repeatedly manipulated the data it entered into its computer model, entering six platforms' above-water outfalls as underwater discharges; modeling toxic discharges as non-toxic; and even relying on an imaginary 48-hour tidal cycle for Cook Inlet—that is, telling the computer that tides in Cook Inlet go in and out once every two days, instead of twice a day.

n EPA "fabricated or omitted" values that were essential to calculating appropriate pollution limits. The brief alleges that EPA made "deliberate errors" in the computer modeling and setting the permit limits.

#### **Cook Volcano: Chevron Stores Millions of Gallons of Crude at Foot of Active Volcano** By Trustees for Alaska

In April of 2009, Chevron was temporarily forced to shut down its 10 oil production platforms in Cook Inlet—but not because of pollution problems. Rather, the problem was an active volcano, Mt. Redoubt, whose recurrent eruptions were posing a threat to Drift River Oil Terminal, the storage facility for crude oil from Cook Inlet. The terminal, which is co-owned by Chevron, was constructed in the flood plain of a river flowing from a glacier on the volcano’s flank. Eruptions had been melting sizable portions of the glacier, sending cascades of mud, ash, and water down towards storage tanks holding 6.2 million gallons of oil.

Ironically, the threat of another massive Alaskan oil spill came just as residents were grimly observing the 20th anniversary of the ExxonValdez disaster and pondering what lessons had been learned. Evidently, Chevron hadn’t learned very much, as it continued to store millions of gallons of crude oil, more than half the amount spilled by the ExxonValdez, at the foot of an active volcano. After a series of eruptions in 1989-90, a dike was built around the terminal’s storage tanks, keeping the tank farm dry. But as this year’s eruptions continued, nervous officials decided that most of the oil had to go. A total of 2.5 million gallons of crude oil was left in two tanks, and additional seawater was pumped into the tanks to stabilize them in the event of a flash flood.

“Had one of those tanks floated or leaked, I don’t know that there would be any more (oil and gas) development in Cook Inlet,” said Kevin Banks, director of the Alaska Department of Natural Resources’ oil and gas division.<sup>90</sup> Conservation groups have been saying for years that the terminal should be moved to a safer location.

## **DRILLING OFF OF AMERICA’S COASTS**

“Eighty-five percent of our coastlines are off-limits to exploration. . . . [W]hat’s wrong with our country? Why not open our coast up?” —David O’Reilly, CEO, Chevron, 2007<sup>91</sup>

“Generally speaking, we’re for tapping into our oil and gas resources here anywhere we can, because we think they’re needed. . . . The industry knows, government knows, the people know there are oil and gas resources off of California.” —Mickey Driver, Chevron Spokesman, 2006<sup>92</sup>

On January 28, 1969 Unocal’s (Unocal was purchased by Chevron in 2005) offshore oilrig Platform Alpha suffered a massive underwater blowout five miles off the coast of Summerland, California. Three million gallons of oil spilled directly into the Santa Barbara Channel, coating 35 miles of shoreline with oil up to six inches thick.

Thirteen years later, Congress implemented the Outer Continental Shelf (OCS) Moratorium that prevented new leases for oil and gas development off the Pacific and Atlantic coasts as well as in Bristol Bay, Alaska. It automatically expired unless renewed annually. In 1990 George H. W. Bush added an additional level of presidential protection that deferred new leasing until 2002. Bill Clinton extended the presidential deferral to

2012.

Chevron lobbied for decades to get the moratorium lifted. Its primary ally was Congressman Richard Pombo. “Pombo’s goal from the beginning was to find a way to kill the moratorium at the behest of Chevron,” said Richard Charter, co-chair of the OCS Coalition, a network of environmental and community organizations, and an original drafter of the moratorium.<sup>93</sup> For 27 years Chevron and Pombo failed, and the moratorium held. But 2008 election-year politics and unprecedented oil company-profits and campaign giving proved its undoing.

### Reversal of Fortune

In the midst of the 2008 Presidential election both Obama and McCain reversed their previous opposition to offshore drilling. McCain announced his reversal with a major speech in June 2008, delivered before heading to Texas for a series of fundraisers with energy industry executives. The next day he raised \$1.3 million at just one luncheon.<sup>94</sup> One month later, George W. Bush lifted the Presidential moratorium, and in September Congress allowed the moratorium to expire. House Majority Leader Steny Hoyer (D-Md.) told reporters in September that restoring the ban “will be a top priority for discussion next year.”<sup>95</sup> Just two weeks after the election, however, Hoyer reversed himself completely, saying that House Democrats would not try to re-impose the moratorium, nor has the Senate, nor has the President.<sup>96</sup>

The moratorium affected new leases only. Therefore, 23 oil and gas production facilities already in place off the coast of California remain active today, while hundreds more rigs operate off the coast of Alaska. There was no drilling off the Atlantic Coast prior to 1981, and there remains none today. In the U.S. Gulf of Mexico, off the coasts of Texas, Louisiana, Mississippi, Alabama, and west of Florida, where there is no moratorium, drilling has exploded in the last ten years, with production rising roughly 70% and involving more than 170 offshore production facilities.<sup>97</sup> Chevron is the largest overall leaseholder in the Gulf and specializes there and worldwide in deepwater production, at enormous cost.<sup>98</sup>

Chevron’s Discoverer Deep Seas oil drilling ship, for example, is currently at work 190 miles off the coast of New Orleans, drilling through one mile of ocean and more than five miles of earth to reach the Tahiti oil field. It costs an additional \$120 million per well to drill in waters this deep. Each drill bit (they are encrusted with diamonds) costs \$50,000 to \$80,000—and a single well can easily chew up a dozen. The first six exploratory wells that Chevron drilled in the Gulf with the Discoverer were dry holes. In fact, about 80% of all of the exploratory wells drilled in the Gulf are failures. When Tahiti comes online this year, it will have been after a decade of work, about average for any new offshore well. Chevron estimates that it will have invested \$4.7 billion in the field before it recovers a single dollar.<sup>99</sup>

As Mickey Driver, a spokesman for Chevron's exploration and production business puts it, “It’s lots of money, it’s lots of equipment and it’s a total crapshoot.”<sup>100</sup>

## Global Warming and Pollution

Drilling in water depths greater than 500 feet releases methane, a green house gas at least twenty times more potent than carbon dioxide in its contribution to global warming.<sup>101</sup> Until recently, most offshore drilling in the Gulf of Mexico, for example, took place on simple scaffolds in 30 to 200 feet of water. But in the last ten years, the number of rigs drilling in depths of greater than 1,000 feet has catapulted from 17 in 1997 to over 90 today. The number of ultra-deepwater projects in the Gulf, those in more than 5,000 feet of water, has more than doubled in the last two years alone.<sup>102</sup> [See Florida Box for additional pollution facts.]

## Accidents, Spills, and Explosions

Offshore oilrigs are technological wonders, often prone to a lack of proper corporate spending on oversight, training, and upkeep and accidents happen. Given the size and scale of these facilities, even a minor incident can have catastrophic impacts. Accidents, spills, leaks, fires, explosions, and blowouts are far too frequent occurrences that have led to the deaths of hundreds of workers.

Oil is extremely toxic, and current cleanup methods are incapable of removing more than a small fraction of the oil spilled in marine waters. In the U.S., from 1998 through 2007 offshore producers released an average of more than 6,500 barrels of oil a year—64% more than the annual average during the previous 10 years. The first half of 2008 alone brought over 1,100 barrels spilled in five incidents.<sup>103</sup>

An increasing problem is extreme weather, particularly hurricanes. As a result of these storms, offshore oilrigs and platforms are tipping, collapsing, exploding, and floating out to sea with increasing frequency. As global warming intensifies, weather conditions will become more extreme, and such events will occur with greater frequency. Before Hurricanes Katrina and Rita hit ground, they pushed through oil and gas facilities in the Gulf. Fortunately, workers had been evacuated, but the facilities and the ocean water surrounding them were not as lucky: the storms damaged platforms and pipelines, causing nine major oil spills that released at least seven million gallons of oil and other pollutants into the water.<sup>104</sup> Chevron's deepwater platform "Typhoon" was spotted drifting nearly 80 miles from its original position days after Katrina hit. It had been operating in 2,100 feet of water about 165 miles southwest of New Orleans, when it was severed from its moorings and capsized.

## What Chevron Says

In a November 2008 letter to Barack Obama, Chevron CEO David O'Reilly noted that while the lifting of the OCS moratorium was an important first step, "[t]his policy must be sustained with additional measures to remove remaining moratoria... In particular, the Eastern Gulf of Mexico remains off-limits..."<sup>105</sup> Chevron, which holds dozens of leases off the Florida Coast, is eager to get to work there, as it is across America's coasts. "We need to start now," Chevron President Gary P. Luquette told a Congressional Committee in February 2009, "Chevron believes that swift action to initiate evaluation and

development of offshore resources is important...’’<sup>106</sup>

### What Communities Want

Environmentalists, fishers, coastal communities, hotel and tourism bodies, surfers, and citizens and elected officials from across the United States have joined forces to reinstate the OCS moratoriums, stop expansion of offshore drilling, and impose new moratoriums on currently producing offshore fields.

### **Sierra Club Florida Opposes Offshore Drilling**

By David J. Cullen, Sierra Club Florida

Offshore drilling impacts could prove calamitous to Florida’s economy, which:

- n Enjoys a recreational fishing industry that produces roughly 131,000 jobs and \$7.6 billion in annual revenue<sup>107</sup>; and

- n Draws more than \$39 billion per year from beach and coastal tourism.<sup>108</sup>

These are the revenues directly at risk from the adverse impacts of offshore drilling, oil/gas conveyance and transportation, and the infrastructure necessary to those operations.

### Environmental Impacts

- n Offshore exploration involves seismic surveys and excavations using equipment linked to beaching and stranding of marine species, and lower catch rates.<sup>109</sup>

- n Offshore operations produce 50 tons of nitrogen oxide, 13 tons of carbon monoxide, six tons of sulfur dioxide, and five tons of volatile organic carbons annually; and the platforms themselves generate another 50 tons of NOx, 11 tons of carbon monoxide, eight tons of sulfur dioxide and 38 tons of VOCS.<sup>110</sup>

- n After Hurricanes Katrina and Rita, the number of damaged pipelines rose to 457 from 183, and 113 platforms were destroyed.<sup>111</sup>

- n A single burst pipeline spilled more than 53,000 barrels of crude into surrounding marshes and wetlands.

- n Post Katrina and Rita, the EPA recorded 595 spills that released oil, natural gas, and chemicals, including an estimated nine million gallons of oil.<sup>112</sup>

- n In 2006, a pipeline linking a rig to the land leaked more than 42,000 gallons of oil offshore of Galveston. Heavy seas prevented repair of the rupture for nearly a week.<sup>113</sup>

- n Louisiana has dug approximately 10,000 miles of canals to transport oil and lay pipelines, which contributes to coastal erosion and wetland deterioration.<sup>114</sup>

n Offshore wells produce, on average, 180,000 gallons of drilling mud and cuttings, containing toxic particle materials including mercury, chromium, barium, arsenic, cadmium, and polycyclic aromatic hydrocarbon.<sup>115</sup>

## **COLORADO, UTAH, AND WYOMING'S OIL SHALE**

In 2004 the Bush administration began soliciting public comments on oil shale development in Colorado. "It was the first that anyone had heard of oil shale in two decades," Bob Randall of Western Resource Advocates recalled. "Everyone in the conservation community was shocked. The collective response was, 'Oil shale is back? What the hell?'"<sup>116</sup>

In the early 1960s Unocal (now Chevron) and other companies began to try commercial production of oil shale, all of which fizzled by 1982. Shell is the only company that continued its efforts, but for at least the last 20 years Shell has been focused on research.

Driven by heavy industry lobbying, including Chevron favorite, former Congressman Richard Pombo, the Bush administration put oil shale on the fast track, handing out six leases to private companies to conduct oil shale research and development (R&D) on federal lands in Colorado and Utah in 2006. Chevron received a lease in Colorado. Chevron reports that in 2008 it began drilling "a 19-well hydrology testing program as a first step in attempting to unlock this vast resource."<sup>117</sup>

The leases last for 10 years, and they were free. Chevron and the other companies picked the areas with the thickest, richest deposits. Their R&D leases cover 160 acres. But, if they demonstrate that they can develop commercial quantities of oil, they will be granted an exclusive right to the adjacent 4,960 acres of land. The 2005 Energy Policy Act, moreover, increased the maximum size of an oil shale lease from 5,120 to 50,000 acres. The companies could therefore become owners of vast tracts of formerly public land all across the West.<sup>118</sup>

In November 2008 the Bush administration set new shale royalty rates, and then in January 2009, just before leaving office, offered a new round of leases covering areas four times larger than the original six leases. In February 2009 Obama's Interior Secretary, Ken Salazar, withdrew the January lease sale and challenged what he described as "low royalty rates and a premature regulatory framework for those leases" established in November.<sup>119</sup> He initiated a 90-day public comment period, begun on February 27, 2009, after which Interior will offer a second round of research leases.

Mass Pollution<sup>2</sup>

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<sup>2</sup> This section drawn from *Driving It Home: Choosing the Right Path for Fueling North America's Transportation Future*, Natural Resources Defense Council, Western Resource Advocates, and the Pembina Institute of Canada, 2007.

Oil shale, like oil sands, is a misnomer, a marketing term. It refers to certain rocks found 2,000 feet below the earth's surface in deposits 1000-feet thick that, when mined, crushed, and heated to temperatures of approximately 900 degrees Fahrenheit, release a small amount of kerogen, a precursor to petroleum. Once the kerogen is released, it must be upgraded by further processing. Only then does this rock become oil—a very heavy, dirty oil. Just as with tar sand oil, refining oil from shale is more polluting than refining conventional oil. These kerogen-filled rocks are found in vast quantities in Colorado, Utah, and Wyoming, the vast majority of which are in federal lands.

Producing oil from shale takes an enormous amount of energy, water—each barrel of shale oil produced requires two to five barrels of water—and causes the emission of higher amounts of global warming pollution than conventional oil development. It threatens groundwater both from mining, as aquifers are often located both above and below the shale deposits, and from the disposal of the spent shale. An industry producing 100,000 barrels of shale oil a day would require disposal of up to 150,000 tons of waste rock each day, or about 55 million tons per year.

Shale is currently produced using the same methods as for coal, open-pit, or underground mines, but some companies are trying to come up with the technology to produce shale oil where it sits in the ground (in situ). Both traditional and in-situ processes release pollutants into the air that can increase global warming, asthma, and emphysema, cause mercury poisoning, and even lead to premature death. Moreover, the production of 100,000 barrels of shale oil a day using the in-situ process would require 1,200 megawatts of power, requiring the construction of a power plant large enough to serve a city of 500,000 people. If a coal-powered plant were used, it would emit 10 million tons of global warming pollution.

#### What Chevron Says

In a November 2008 letter to President-elect Obama, Chevron emphasized that North America is endowed with substantial quantities of oil sands and oil shale, “and developing the policies and new technologies that can unlock their tremendous potential should also be a core component of U.S. energy policy.” The company stressed the need to “ensure oil shale and oil sands potential is fully realized.”<sup>120</sup>

#### Community Demands

Organizations such as National Resources Defense Council, Colorado's Western Resource Advocates, and Utah's Red Rock Forests are part of a unique alliance of environmentalists, “wise use” land advocates, liberal and conservative elected officials, and others across the region. Some call for the halt of production altogether, while others demand, at a minimum, that the process be slowed, studied, and best practices be developed before the corporations gain ownership of hundreds of thousands of acres of federal land to exploit as they see fit for years to come.

## CHEVRON'S RICHMOND REFINERY

Chevron's Richmond Refinery in Richmond, California is the company's second largest refinery and one of the oldest and largest refineries in the United States. Richmond has a population of approximately 100,000, 82% of whom are listed as minorities by the U.S. Census. Seventeen thousand people, including those in two public housing projects, live within just three miles of the refinery. The majority of these residents are low-income people of color. Within one mile of and abutting the refinery are businesses, houses, an elementary school, and playgrounds.

### Pollution

Built in 1902, the refinery shows its age. Sitting on nearly 3,000 acres of land, to refine its capacity of 87.6 million barrels of crude oil per year—240,000 barrels per day—the refinery produces over two million pounds of waste per year.<sup>121</sup> The EPA reported nearly 100,000 pounds of toxic waste from the site in 2007, including at least 38 different toxic substances,<sup>122</sup> including more than 4,000 pounds of benzene, a known human carcinogen, and 455,000 pounds of ammonia, repeated exposure to which can cause an asthma-like allergy and lead to lung damage. The EPA lists the refinery in “significant noncompliance“ for air pollution standards.<sup>123</sup>

The refinery is ranked as one of the “dirtiest/worst” facilities in the nation by “Scorecard,” which compares EPA data across U.S. facilities. For “total environmental releases” and “air releases of recognized developmental toxicants,” the refinery ranked in the absolute worst facilities in the nation. As for “air releases of recognized carcinogens” and “recognized developmental toxicants,” the refinery ranked in the top 20 percentile for “worst/dirtiest facilities” in the country.<sup>124</sup>

Community organizations put constant pressure on the state and local governments to enforce existing pollution control laws against Chevron. Occasionally the government responds with civil lawsuits. In 2004, for example, Chevron paid approximately \$330,000 in negotiated fines to settle two lawsuits for more than 70 reported violations from 2000 to 2002.<sup>125</sup> In 2001 Chevron was fined an additional \$242,500 for failing to repair leaking pipe connectors in a timely manner, leading to 241 separate leaks in just three months.<sup>126</sup>

### Public Safety

In January 2007 a giant explosion rocked the refinery. A leaking corroded pipe “that should have been detached two decades ago,” according to investigators, was to blame.<sup>127</sup> The five-alarm fire and 100-foot flames burned for nine hours. Almost 3,000 people in nearby neighborhoods received telephone calls, instructing them to stay inside with their doors and windows shut to avoid breathing the toxic fumes. According to Chevron, a leaking valve that “was initially installed more than 30 years ago” ignited one of the worst explosions at the refinery.<sup>128</sup> In March 1999, an 18,000 Pound plume of sulfur dioxide smoke was released in the explosion: 10,000 residents were told to remain inside for several hours, while those in the closest neighborhoods were evacuated. “A column of thick, acrid, foul-smelling smoke... killed trees and took the fur off squirrels,” reported a

resident.<sup>129</sup>

## Public Health

The mayor of Richmond, Gayle McLaughlin, has observed that the children in Richmond who suffer from asthma “are hospitalized for this condition at twice the rate of children throughout Contra Costa County,” in which Richmond is located. “Time and again,” she writes, “the Richmond City Council has heard testimony from residents about the impact of refinery emissions on their lives: burning eyes, shortness of breath, foul smells, residues on cars and windows. One senior citizen from Atchison Village talked about entire days when she is unable to leave her home, even to work in her garden, because of the noxious fumes that permeate the air in her neighborhood.”<sup>130</sup>

Chevron is one of four refineries in Contra Costa County. Recent county health reports confirm that death rates from cardiovascular and respiratory diseases are higher in Contra Costa County than statewide rates and are rising. Among the 15 most populous counties in California, Contra Costa ranked second in incidence rates for breast, ovarian, and prostate cancers. Richmond’s rate of hospitalization for female reproductive cancers is more than double the county’s overall rate.<sup>131</sup>

Mayor McLaughlin and community organizations such as West County Toxics Coalition and Communities for a Better Environment have tried to get Chevron to install state-of-the-art pollution controls, to reduce toxic flaring further as other refineries have done, and to reduce air and water pollution. At a June 2008 hearing, a Chevron spokesman acknowledged that the technology for the cleaner co-generation units which the company now plans to install have been available since the 1970s. When asked by the Mayor why Chevron had not installed the cleaner units 30 years ago, he gave no answer.<sup>132</sup>

## Skirting Local Taxes

By Marilyn Langlois, Richmond Progressive Alliance

All Richmond residents and businesses but one pay a 10% tax on their utility usage. The exception is Chevron, which convinced the City Council to let it pay a flat rate instead, capped at \$14 million per year, allowing it to avoid disclosing its actual utility usage. In 2006, when then-City Council member McLaughlin and others started to question this unusual arrangement, Chevron voluntarily dropped the cap and instead paid a fee based on a self-reported, unverifiable usage, reducing its payment by some \$4 million a year. The City Council insisted on an outside audit of Chevron’s usage (agreeing to keep it confidential). As a result of the audit, Chevron is back to paying the full flat rate, plus a \$28 million settlement over four years, as long as the City does not pursue legal action to ascertain Chevron’s actual utility usage. It is estimated that the city has lost over \$200 million in revenue over the last 25 years because of Chevron’s refusal to release this information.

Pursuing another avenue to compel Chevron to pay its fair share in taxes, voters in

2008 approved Measure T, a citizens' initiative that would have the effect of increasing Chevron's annual business license fee by \$16 to \$26 million annually, depending on the average value of crude oil over the year. Chevron subsequently sued the city in February 2009, asking the courts to toss out Measure T. In the meantime, Chevron was required to pay the fee, which it did in April 2009. However, the city cannot touch these funds until the legal case is concluded, which could take years.

## **The Community Responds to Chevron**

By Jessica Tovar, Communities for a Better Environment

In 2008 several hearings were held on Chevron's application to expand its refinery capacity to process dirtier crude oil at its Richmond refinery, including tar sands. In response to this community health threat, a coalition of groups formed "RAEJ"—Richmond Alliance for Environmental Justice, composed of grassroots environmental justice organizations: Asian Pacific Environmental Network, Communities for a Better Environment, West County Toxics Coalition, Richmond Progressive Alliance, Richmond Greens and Atchison Village Environmental Committee. These groups mobilized a diverse community of immigrants, working class people and professionals from Richmond to the greater Bay Area.

In July 2008 the Richmond City Council voted 5-4 to issue a permit for the refinery expansion. At the final hearing, Chevron presented the City Council with a \$61 million so-called "community benefits agreement." This CBA imposed significant obligations on the City that could ultimately divest community power. Additionally, money for the programs the CBA would fund are contingent upon future approvals; and by shifting permit conditions from the permit to the CBA, enforceability is contingent on the City's ongoing cooperation. Many community members were outraged, viewing this money as a bribe. People in the community campaigned aggressively in the local November elections and succeeded in helping to replace two council members considered sympathetic to Chevron's interests – a community doctor active in the fight against the refinery expansion, Dr. Jeff Ritterman, and incumbent councilman, Tom Butt.

In September 2008, CBE, APEN and the West County Toxics Coalition, represented by Earthjustice and CBE, sued the City and Chevron under CEQA, arguing that the City approved the Project without adequately describing the project, analyzing its impacts, or mitigating significant impacts that would negatively affect community health and the environment.

## **CHEVRON'S PASCAGOULA REFINERY**

Pascagoula, located on Mississippi's Gulf Coast, is home to Chevron's largest refinery—the 7th largest in the nation. Chevron's facility, situated on over 3,000 acres adjacent to the Mississippi Sound, began operations in 1963. In addition to processing 330,000

barrels, or 13.9 million gallons, of crude oil per day, the facility is part of Chevron's chemical business. Here Chevron produces Benzene, a known carcinogen, and Paraxylene, short-term exposure to which can cause eye, nose, or throat irritation in humans, while chronic exposure can affect the central nervous system and may cause death, according to the U.S. Centers for Disease Control and Prevention.

In August 2007 a giant explosion rocked the facility. The fire burned near the heart of the refinery, and 200-foot flames were visible for miles down the Mississippi coast. Afterward, Chevron offered free car washes to dislodge the thick layer of black soot that had settled on nearby cars from the fire. The cause of the explosion has yet to be publicly identified, and phone calls to the refinery were not returned.

## Pollution

Chevron's Pascagoula refinery is ranked as one of the "dirtiest/worst" facilities in the nation by "Scorecard," which compares EPA data across U.S. facilities.<sup>133</sup> On every ranking but one, including "total environmental releases," "air and water releases," "air releases of recognized carcinogens," "air releases of recognized developmental toxicants," and "air releases of recognized reproductive toxicants," the facility ranked in the absolute worst facilities in the nation (using 2002 data).

The facility released more than 1,000,000 pounds of 47 different toxic chemicals in 2007 alone, according to the U.S. EPA, including over 50,000 pounds of Benzene and 150,000 pounds of ammonia.<sup>134</sup>

Chevron wants to expand production by 600,000 gallons per day by mid-2010.<sup>135</sup> To do so, it hopes to take advantage of a tax break offered to Jackson County because of Hurricane Katrina, a 10-year tax exemption offered to all expanding industries.<sup>136</sup> The Mississippi Department of Environmental Quality (DEQ) has found that Chevron's proposed expansion, "will constitute a major modification due to emissions increases of nitrogen oxides (NOx) and carbon monoxide (CO) exceeding the significant emission rates designated in the regulations."<sup>137</sup>

Chevron is not alone in Jackson County; among its closest neighbors is a giant DuPont chemical facility. The combined production has pushed Jackson County into the top 10% of U.S. counties with the highest amount of toxic chemical releases. In 2007 more than 26 pounds of toxic chemicals were released per person, or 3.4 million pounds.<sup>138</sup> Out of a total 2006 population of just 130,863, Jackson County, with a 16% poverty rate, had 622 incidents of cancer and 245 cancer deaths.<sup>139</sup>

Robert Hardy, a local activist with Protect Our Coast, has said, "The implications of [Chevron's] planned expansion suggest enormous increases in their discharged TRI Carcinogens, which is beyond comprehension. The implications for the adverse impact to our community's cancer incident and death rates are very hard to accept. What will be the impact on our grandchildren's health over the next 10-20 years?"<sup>140</sup>

Local politics is controlled by Chevron, with three of the five members of the Jackson

County Board of Supervisors being former employees of Chevron, including the president.<sup>141</sup> The result, according to Hardy, is identical to that in Richmond. While “Chevron doles corporate donations to local United Way, schools, and other charitable events and always makes a huge public relations deal of their corporate benevolence,” it is “getting away with significantly underpaying its taxes.”<sup>142</sup>

### Community Response

The small but dedicated local activist community that tries to hold these facilities to account has an enormous task set out for it, particularly because an estimated 95% of Pascagoula went under water with Hurricane Katrina. Many still live in FEMA trailers to this day. The local Sierra Club and Protect Our Coast have both stood up to hold Chevron to account and in firm opposition to the massive expansion planned at the facility.

## **CHEVRON’S PERTH AMBOY REFINERY**

By CorpWatch

Chevron owns and operates an asphalt refinery, producing about 80,000 barrels per day, near Perth Amboy in Middlesex County, New Jersey. Chevron took over the facility (built in 1920) in 1946.

### Pollution

Although the Chevron refinery is not the largest in the region, it has contributed more than its fair share of pollution to a heavily-industrialized area that is already overburdened with refineries, chemical plants, and other industrial sources of contamination.

According to the state’s Department of Environmental Protection (DEP), Chevron’s Perth Amboy refinery ranks 17th among the top 20 facilities in the state for shipping hazardous substances as product, and 20th among the top industrial emitters of cancer-causing substances.<sup>143</sup> The Perth Amboy refinery was also the 10th largest discharger of persistent, bio-accumulative toxins to surface waterways in the state.<sup>144</sup>

That doesn’t include the impact from large accidental releases such as the one that occurred on February 13, 2006, when a barge offloading crude oil to a pipeline connected to the Perth Amboy facility spilled what the company itself estimated to be 31,000 gallons of crude oil. The oil leaked out of the pipeline into the nearby Arthur Kill, a tidal strait separating Staten Island from mainland New Jersey. The resulting oil slick covered a stretch from Perth Amboy across the waterway to Staten Island and as far north as the Port Reading section of Woodbridge, according to Raritan Riverkeepers, a leading local environmental group.<sup>145</sup>

Lisa Jackson, then New Jersey’s Acting Environmental Protection Commissioner and today Secretary of the federal EPA, complained that crude was continuing to leach into the waterway a week after the spill and that Chevron was not doing enough to stop it.

“We are not pleased and not happy with the incident management resources and structure Chevron has out there,” Jackson said. “We still see significant and increasing amounts of oil in the water.”<sup>146</sup>

The state ultimately had to sue to get Chevron to pay for the clean up, reaching a \$45,000 natural resource damage settlement with the New Jersey DEP and a separate \$1 million settlement to the state’s attorney general. The larger amount was turned over to Conservation Resources Inc., a non-profit conservation finance intermediary, which used it to underwrite a New York/New Jersey Baykeeper project to re-establish oyster beds in New York/New Jersey Harbor, near Arthur Kill and Raritan Bay. Until decimated by pollution and over-fishing, the harbor had been filled with oyster beds that supported a thriving fishing industry.<sup>147</sup>

The Arthur Kill spill was just the latest and most dramatic in a series of incidents that led to a 2005 state-wide groundwater damage settlement, covering 282 acres at 200 sites. In a settlement with the state DEP, Chevron agreed to restore and deed restrict 11 acres of salt marsh along Woodbridge Creek, as well as to promise to pay DEP’s assessment costs for cleaning up the contaminated sites.<sup>148</sup>

Two years later, in June 2007, the New Jersey DEP and officials from other states filed a series of civil complaints against Chevron and dozens of other oil companies for their use of methyl tertiary butyl ether (MTBE), a gasoline additive and suspected carcinogen found in contaminated drinking water supplies around the state.<sup>149</sup> Just a year later, Chevron and seven of the other companies agreed to settle with New Jersey, New York, California, and 15 other states for \$423 million and a pledge to pay 70% of future cleanup costs for up to 30 years. Although MTBE was originally introduced in 1979 to increase octane levels in gasoline (and thus reduce air pollution), by 2007 it was already banned in 23 states.<sup>150</sup>

## Community Response

Community organizations such as New Jersey Sierra Club, New Jersey Work Environment Council, and NJ/NY Riverkeeper are working to ensure that Chevron and the other host of local corporate polluters reduce pollution, maintain transparency in their operations, abide by state and federal laws, and keep the harbor and surrounding areas clean and safe for the local communities.

## **Chevron Sued for Massive Underground Brooklyn Oil Spill**

Legal update from the Pace Law School Environmental Litigation Clinic.<sup>151</sup>

In 2004 Pace Environmental Litigation Clinic, Inc, on behalf of Riverkeeper and six plaintiffs, sued ExxonMobil, Chevron, and Peerless Importers for violations of the Clean Water Act and the Resource Conservation and Recovery Act, stemming from massive underground spills and leaks of more than 17 million gallons of petroleum products over the past five decades. These pollutants have contributed to the contamination of the Brooklyn-Queens aquifer, discharge into Newtown Creek, and create a substantial and

imminent endangerment to the residents and ecosystem of Greenpoint, Brooklyn. Riverkeeper granted ExxonMobil a series of stays to the litigation to encourage the company to remediate the pollution and its hazards. ExxonMobil entered into a confidential agreement with Chevron whereby Chevron would actively remediate the seep of petroleum products into Newtown Creek from a bulkhead owned by Peerless. However, as a result of ExxonMobil's continued non-responsiveness to Riverkeeper's cleanup requests and the company's apparently dilatory settlement tactics, Riverkeeper allowed the litigation to renew.

In February 2007 the State of New York launched its own suit against Chevron, Exxon, and others for cleanup of the spill.<sup>152</sup>

### **Utah Supreme Court Upholds Chevron Employee Suit**

On February 13, 2009 the Utah Supreme Court upheld a Chevron employee's right to sue the company for her injuries suffered in a serious industrial accident at Chevron's refinery near Salt Lake City.

According to the Court's written opinion,<sup>153</sup> the plaintiff alleges the following. That Chevron tried a new, less expensive method of neutralizing spent toxic sludge. When the neutralization process began, a noxious purple cloud containing toxic chemical compounds was released. The cloud drifted across the Refinery, setting off alarms and causing several Chevron employees, some of whom were hundreds of yards away, to fall ill and be sent home. In the aftermath, Chevron did not take any safety measures but instead resumed the process later in the evening after a shift change and under cover of night.

When refinery employee Jenna Helf arrived for the evening shift, her supervisor directed her to go to the open-air pit to start the neutralization process. She was not told about the earlier reaction, nor was she told about the hazardous conditions indicated by the plant alarms or about the employees who were sent home due to illness. She was not instructed that she would need respiratory protection for this job, despite the fact that her supervisors knew that injury was substantially certain to occur, if she initiated the chemical reaction without it.

Helf followed the instructions given to her by her supervisor. The neutralization process produced the same predictable and violent reaction that occurred earlier that day: the release of a purple cloud containing noxious gases. The gases caused Helf to vomit and pass out. When she eventually came to, she stopped the process, suffering severe effects of exposure to high levels of toxic gases. She was not provided with any treatment or information about the chemicals to which she had been exposed.

The Utah Labor Commission cited Chevron for these events, awarding Helf \$7,880.37, and ordered Chevron to pay her medical bills. Helf then sued Chevron in district court, arguing that her injuries resulted from its intentional misconduct. The initial case was dismissed, but the Utah Supreme Court overturned the district court's dismissal, finding

“We reverse the district court’s dismissal because Helf’s complaint successfully alleged facts demonstrating that her injury was the expected result of reinitiating the neutralization process such that her injury was intentional, not accidental or negligent.”

### **III. Around the World**

#### **CHEVRON IN ANGOLA**

Chevron has been in Angola since the 1930s, when Texaco began marketing there. In 1958 Cabinda Gulf Oil Co., Chevron’s Angolan subsidiary, drilled its first well. The company has dominated oil production in Angola ever since. Today, Chevron has four Angolan concessions, the most important of which are the massive offshore Benguela Belize–Lobito Tomboco and the \$3.8 billion Tombua-Landana projects. Also in 2008, construction began on a 5.2 million-metric-ton-per-year liquefied natural gas plant.<sup>154</sup>

According to the U.S. Department of Energy, Angola is the second-largest oil producer in sub-Saharan Africa and the world’s seventh-largest supplier to the United States. Yet its health indicators are some of the worst in sub-Saharan Africa, sixty eight percent of the population lives below the poverty line, and 28% live in extreme poverty.<sup>155</sup>

Chevron operated in Angola when it was a Portuguese colony, through a bloody 14-year armed struggle to independence in 1975, and through a 27-year brutal civil war ending in 2002, which left as many as one million Angolans dead, 4.5 million internally displaced, and another 450,000 as refugees. Since the end of the Civil War the government has remained rife with corruption, such that Transparency International ranks it as one of the most corrupt governments in the world, and Amnesty International describes its human rights record as “poor” and “plagued” by serious problems.<sup>156</sup>

Cabinda is the heart of Angola’s oil production. The twenty-four-hour oil operations there are, as lawyer and journalist Daphne Eviatar writes, “what financed the government’s army during a civil war ... And they’re the most obvious sign of the West’s relentless tentacles reaching into Angola today.”<sup>157</sup>

In 2006, the Angolan government banned Mpalabanda (Associação Cívica de Cabinda), the only human rights organization operating in Cabinda. The group focused not only on abuses by the government, but also by the oil companies. Agostinho Chicaia is the president of Mpalabanda. Amnesty International released a statement forcefully condemning the ban, stating, “Amnesty International considers [Mpalabanda’s] members to be human rights defenders... Its closure will leave Cabinda, an area rife with egregious violations of human rights, without a human rights organisation to monitor and record violations of human rights.”<sup>158</sup> An international outcry followed, universally acknowledging the peaceful and vital work of Mpalabanda.

#### **Chevron in Cabinda (Angola)**

**Statement by Agostinho Chicaia, Extinta Mpalabanda Associação Cívica de Cabinda (MACC), Cabinda, Angola<sup>159</sup>**

Labor Policies

Discrimination is rampant in the treatment given to Cabindan vs Luandan—or the remainder of Angolan employees. We believe that in the last two years, Chevron has required the compulsory transfer of many Cabinda-based administrative personnel to Luanda. Angola's General Labour Law requires that employees be compensated for expenses related to transfers, including “expenses related to the employee himself or the family members for whom the employee is responsible.” We believe that Chevron has adhered to this law only in the case of non-Cabinda employees. This transfer process to Luanda is extremely precarious. It has been dividing and destroying families, as the Cabindan transferred employees' earnings are not enough to cover the costs incurred for their families.

Human Rights

There have been murmurs and claims all over: we hear shouts of indignation and revolt from employees or members of the communities against Chevron's way of doing things. Employees' rights are simply violated, ignored, and denied; there is discrimination in the workplace, particularly over wages. The employees' Trade Unions encounter a number of difficulties in exercising their role, as Chevron does not allow it. Collective bargaining is not welcomed. Many times employees are unfairly terminated, in total violation of their rights. Furthermore, there is no distinction between human rights and politics, so talking about human rights is considered a provocation to the government. Standing up for your rights is considered being ungrateful or lacking respect. Dialogue does not exist, and when they talk about “dialogue,” it is to simply communicate decisions already made or to seek pretexts to take actions, because anything you say may be used against you.

Environment

The local communities do not derive any real benefits from activities undertaken in their geographical areas. The communities' quality of life and living standards continue to deteriorate. The environment has been increasingly degraded. The impact of the pollution has been trivialized by Chevron, particularly with the successive oil spills in Cabinda. No independent environmental impact study has been produced to evaluate the present state of our beaches, the deteriorated mangroves areas, the affected ecosystems in the sea, on the earth, and the transfer to rivers.

In a rare government action in 2002, Chevron was fined \$2 million by Angola's Ministry of Fisheries and the Environment for oil spills from its platform that polluted beaches and damaged the local fishing industry. A government investigation found that leaks from poorly maintained pipes used to transport crude oil from the platform were the cause of the spills.<sup>160</sup> With most oil spills, however, we find that Chevron will deny responsibility and accuse operators in neighbouring countries. On the few occasions

when Chevron has accepted responsibility, we have found the number of barrels of oil spilled was generally below 50 in order to avoid being penalized under Angolan law. To indemnify the fishermen, the main victims, Chevron dictates the indemnification value without proper serious and transparent negotiation.

### What Chevron Says

Lately, Chevron has carried out some projects to benefit the communities. Chevron builds one school here, a medical center there, but these projects are very far from the real problems, concerns, and needs of the communities. Chevron prospers and enriches itself, while the local communities get poorer and poorer, more and more miserable, more and more vulnerable. The very little that Chevron does that is not done unilaterally, without considering the opinions and the priorities of the communities. They don't walk the talk, considering what they preach themselves. There is neither dialogue nor are there objective partnerships or common goals between themselves and the communities. Cabinda does not in any way reflect the oil-producing giant that generates scandalous amounts of money for the Angolan government as well as Chevron itself.

Chevron says that it recently created a Social Responsibility team to mitigate daily criticisms and to create an internal forum to discuss issues related to social responsibility, environmental problems, health, and safety. But, thus far, these efforts are unproductive, and civil society monitoring capabilities are not yet up to the task.

### What the Communities Want

We find that extractive industry practices in Cabinda only stress and deepen poverty levels, for Chevron pollutes and destroys the environment, accentuates social injustice, stops development, and sows frustration. As such, local communities and the Cabindan people demand more social, environmental, and economic responsibility on Chevron's part and for themselves. Environmental organizations such as Gremio ABC specifically demand that Chevron finally replace its old leaking oil pipelines.

Mpalabanda-Cabinda Civic Association, illegally abolished by the Cabinda Court of Justice as ordered by the Cabinda Provincial Government (and mandated by the Presidency of the Republic Military House), has always held that there was excessive pressure over the oil exploration in Cabinda, which prepared the ground for successive oil spills. It was absurd to deplete all the Cabinda reserves today only to inherit serious environmental problems tomorrow. Mpalabanda demanded the development of an independent environmental impact study to determine the marine resources contamination levels. It asked the Angolan Government to regulate the basic environmental laws and the capacity building of the local structures for a joint monitoring of the oil exploration activities in Cabinda with civil society.

## **CHEVRON IN BURMA**

By EarthRights International

In 1992, the French oil company Total signed a contract with the Burmese military to develop offshore natural gas fields in the Andaman Sea and pipe the gas to Thailand through an overland pipeline.<sup>161</sup> Chevron (then Unocal), became a partner in the project, dubbed *Yadana*, shortly thereafter, in early 1993.<sup>162</sup> The consortium was subsequently joined in 1995 by PTT Exploration & Production (PTTEP),<sup>163</sup> a subsidiary of Thailand's state-owned oil and gas company PTT, and later that year by the Myanmar Oil & Gas Enterprise (MOGE), an arm of the Burmese military's Ministry of Energy. Total and Chevron hold the largest stakes in project, at about 31.25% and 28.25%, respectively, with PTTEP following at 25.5% and MOGE with 15%.<sup>164</sup>

### Human Rights Abuse

The *Yadana* project has led to widespread human rights abuses, including forced labor, murder, rape, forced relocation of villages, and other serious abuses against communities living in and around the project area.<sup>165</sup> These abuses are ongoing. During the construction phase of the project in the early 1990's, reports from the communities in the pipeline area, from refugees, and human rights workers in the region reported a massive increase both in military presence and the human rights abuses that the Burmese military regularly commits. Pipeline security forces routinely conscripted villagers for severe forced labor projects, including building infrastructure for the project and portering heavy loads for military patrols, as well as committing torture, rape, and murder. The abuses continued as gas began to flow in 1998 and have continued to the present.<sup>166</sup>

A report issued in 2008 by the NGO EarthRights International (ERI) documents continued serious abuses by the Burmese military on behalf of Chevron and its partners. A defected soldier reported in 2008 that:

We ask these people to carry shell ammunition, food and supplies . . . . During the portering the soldiers treat porters not so good. I do not want to mention about these bad things so much since I myself I have done it to these people. . .<sup>167</sup>

Villagers are regularly forced to perform security tasks such as sentry duty on the pipeline. A refugee from Kanbauk described being forced by the army to take up sentry duty along the pipeline route:

We also had to work on the *Yadana* pipeline. . . . We had to work on this kind of forced labor by rotation and one person from a household had to go for it. Usually, there were three persons that had to take responsibility at one sentry hut . . . . We could not refuse going for this. If we are not free in the time of our duty, we have to find a replacement by hiring someone. There are many elders around 60 years old and children under 18 years old being forced to work this kind of forced labor. As for me, I had to work for this kind of forced labor many times.<sup>168</sup>

Violence is also common. A local villager from Law Ther who objected to pipeline security soldiers stealing logs intended for a local school reported that:

The officer . . . turned to me and he slapped my face twice, then he punched my stomach and when I tried to cover it he kicked my groin. I fell on the ground.<sup>169</sup>

Chevron and its partners have also played a major role in propping up the brutal regime in Burma. The *Yadana* Gas project is the single largest source of income for the Burmese junta.<sup>170</sup> The *Yadana* project does little to benefit the Burmese economy, while lining the pockets of the Burmese generals and enabling military spending at the expense of the peoples' welfare.<sup>171</sup>

Where specifically does the *Yadana* project revenue go? In 2007, nearly 75% of the total project income went directly to the Burmese military - approximately \$972 million—almost one billion dollars.<sup>172</sup> There is no revenue transparency in Burma, and Chevron and Total have not published their payments to the regime.

### What Chevron Says

Chevron along with its *Yadana* partners continue to publish blatant lies and distortions and misrepresent conditions in the pipeline area which mislead investors and other stakeholders regarding the true effects of its presence in Burma. The *Yadana* companies work with groups like CDA Collaborative Learning Project, a Massachusetts-based group, who have little connection to the local population, and use fatally-flawed methodology that has led to inaccurate reporting on conditions in the pipeline area.<sup>173</sup> To wit, Chevron and its partners have recently released statements on conditions in the pipeline area, including:

[T]he main benefit of Total's initiative is its very presence, which has guaranteed peace in the area for all ethnic groups and has also eradicated forced labour.<sup>174</sup>

Indeed, according to the ILO, the only region in the country in which forced labor has ceased is the area in which the *Yadana* gas pipeline was built.<sup>175</sup> [an ILO official has denied the ILO has made such an assertion]

Our community development programs in Myanmar also help improve the lives of the people and communicate our values, including respect for human rights.<sup>176</sup>

Chevron has refused to acknowledge both the widespread human rights abuses caused by its *Yadana* project and the destructive effects revenue from the project has had in Burma. Instead of addressing concerns, Chevron and its partners have denied the existence of and their responsibility for abuses, and instead have established socio-economic programs of questionable utility. People in the project area and concerned stakeholders are in agreement that there are no offsets when it comes to human rights abuses; Chevron cannot escape responsibility and liability for abuses through their socio-economic program.

## Chevron Should

Chevron along with their *Yadana* partners should publicly condemn past and on-going human rights abuses caused by their project, and use their influence with the military junta, their business partner, to press for respect for human rights, not only in the pipeline region itself but throughout the country. The *Yadana* companies today can and should immediately stop relying on the Burmese military for any security or other services and provide adequate human rights training and supervision of security services in order to ensure respect for fundamental human rights. The companies should allow independent third-parties with experience documenting human rights abuses in Burma access to the pipeline region, without military supervision, in order to monitor the situation and provide a mechanism to allow local residents to bring complaints to an independent body on a confidential basis. Chevron and its partners should provide adequate compensation to all individuals and communities harmed by the *Yadana* Project and demonstrate a serious commitment to their socio-economic program by expanding it to include all of the villages that have suffered adverse impacts from the *Yadana* Project. Chevron should disclose all *Yadana*-related payments made to government and state-owned or state-controlled partners in Burma.

## CHEVRON IN CANADA

By Rainforest Action Network

Chevron is involved in two separate projects in the tar sands, the Athabasca Oil Sands Project (AOSP) and the Ells River Project. Chevron holds a 20% interest in the AOSP, a mining development 60% owned and operated by Royal Dutch Shell. Chevron's 2008 10-K tax filing with the SEC states that the company is netting an average 27,000 barrels per day from the AOSP. The mine has so far produced more than 175 million barrels of bitumen over its lifetime. An expansion is expected to increase daily production to more than 255,000 barrels per day by late 2010 at a cost of more than \$2 billion to Chevron.<sup>177</sup>

Chevron has a 60% operating interest in the Ells River Project, a growing "in-situ" development encompassing a total of 75,520 acres of oil bearing sands with an estimated 7.5 billion barrels of oil in place. The company has completed an appraisal drilling program and a seismic survey. Chevron has begun another seismic survey for this in-situ project that was completed in March 2009. The Ells River project will use steam-assisted gravity drainage, an energy-intensive process that injects steam underground to leech bitumen from the sand. The project aims to produce 100,000 barrels by 2015.<sup>178</sup>

Much of this increased production is designed to feed into a network of long-lived infrastructure that will effectively lock in North American oil dependency for decades to come. Five new trans-continental pipelines and more than 20 newly expanded oil refineries are being planned to bring growing supplies of tar sands crude to the U.S. market.

Aside from increasing global warming pollution, the dirtier crude oils produced from tar sands also require more intensive refining. Since 2007, Chevron has won local battles to expand its refineries in Richmond and El Segundo, California to convert the heavy crude oils produced in the tar sands to gasoline and other consumer and commercial products.

### Environmental Devastation

With its considerable investments in expanding tar sands production and refining capacity, Chevron is placing a major bet on a fuel source that is dirtier to mine, process, and refine. Its extraction releases many times more greenhouse gas than conventional crude oil. The energy intensive process used to produce synthetic crude oil from tar sands generates three to five times more global warming pollution than does conventional oil production. Mining projects such as the AOSP require four tons of earth and as many as five barrels of water per just one barrel of oil, most of which ends up in vast toxic lakes.<sup>179</sup>

The open-air lakes leak toxic chemicals into groundwater and river systems and emit thousands of tons of volatile organic compounds (“VOCs”) into the air, including benzene, a known human carcinogen. Last spring, over 1,600 ducks died from landing in one of these toxic lakes. University of Alberta Ecologist David Schindler observed that “[i]f any of those tailings ponds were ever to breach and discharge into the [Athabasca River], the world would forever forget about the Exxon Valdez.”<sup>180</sup>

Refining the dirty crude oil extracted from tar sands produces higher emissions of harmful pollutants, including sulfur dioxide (SO<sub>2</sub>), hydrogen sulfide (H<sub>2</sub>S), sulfuric acid mist, and nitrogen oxides (NO<sub>x</sub>), as well as toxic metals such as lead and nickel compounds. Environmental damage caused by these pollutants includes acid rain; concentration of toxic chemicals up the food chain; the creation of ground-level ozone and smog; visible impairments that migrate to sensitive areas such as National Parks; and depletion of soil nutrients.<sup>181</sup> The more energy-intensive refining of tar sand oil may also produce more greenhouse gas than conventional crudes.

Chevron’s investment represents an entrenched commitment to perpetuating U.S. reliance on oil as our primary source of energy into the next generation and beyond and to ensuring that this reliance will be based on Canadian tar sands—even dirtier and more destructive sources of oil than conventional crude oil.

### What Chevron Says

Despite rising production costs and plummeting oil prices, Chevron remains committed to increasing tar sands production. Responding to shareholder complaints about these risky bets, Chevron said in its 2008 proxy solicitation that it “has observed comprehensive procedures to better assess, understand and minimize the environmental impacts of its operations in various areas around the globe, including in Athabasca and Ellys River” and its “continued efforts to reduce emissions of greenhouse gases and

increase energy efficiency.” However, despite 28% of shareholders voting in 2008 in support of a resolution at Chevron, asking for increased disclosure on the company’s tar sands projects, the company hasn’t agreed to improve its reporting. This year, Chevron was successful in excluding the resolution from its proxy statement, reducing transparency on the issue even further.

### Community Demands

Communities at both ends of Chevron’s dirty oil development are fighting for a future free of the dirty fossil fuels that present a growing threat to health and the environment. In Canada, northern Indigenous First Nations, on whose land much of the production takes place, are calling for green jobs that promote sustainable economic development and a halt to further expansion of the tar sands, saying the massive industrial growth is hurting their land, their water, and their people.<sup>182</sup>

Indigenous communities living downstream from the tar sands have become increasingly vocal about the threats posed by expansion of tar sands mining operations on water quality and community health. Chiefs from more than two dozen First Nations in Alberta, British Columbia, Saskatchewan, and the Northwest Territories issued a joint resolution calling for a moratorium on tar sands development. “Our message is plain and clear,” said Alan Adam, Chief of the Athabasca Chipewyan First Nation, “We have to slow down industry to let us catch up. . . . If we continue to let industry and government behave the way they’ve been behaving the last 40 years, there will be no turnback because it will be the total destruction of the land.”<sup>183</sup>

In California, community-based organizations fighting refinery pollution are also proposing alternatives. A recommendation to the US EPA regarding the increase of dirty oil imports from Canada issued by Richmond, California’s Communities for a Better Environment (CBE) proposed a “crude cap” that would limit the ability of refineries to process dirty crude oils. CBE argued that a crude cap would have the effect of capping increased pollution associated with refining dirty tar sands oil.<sup>184</sup>

The path for Chevron is clear. As described in the CBE letter, “Only by redirecting the national treasure now being sucked from the gas pump into ever-dirtier oil extraction and refining, and putting it toward the monumental work of build-ing a sustainable energy infrastructure, can we achieve our full potential for environmental and economic health. We cannot afford to waste this opportunity.”

## **CHEVRON AND THE CHAD-CAMEROON OIL & PIPELINE PROJECT**

Edited by Antonia Juhasz from: Korinna Horta, Environmental Defense; Samuel Nguiffo, Center for Environment and Development; and Delphine Djiraibe, Chadian Association for the Promotion and Defense of Human Rights, “The Chad-Cameroon Oil & Pipeline

Project: a Project Non-Completion Report,” April 2007.<sup>3</sup>

“They promised us jobs.

They took everything from us.

They took our land.

They took our forest.

They took our water.”

- Sama Bailie of Cameroon, on the Chad-Cameroon pipeline.<sup>185</sup>

Intense preparations for the Chad-Cameroon pipeline began in 1997. In 1999, Chadian groups released the Bebedja Declaration, calling for a moratorium on financing the project until conditions and government capacity were in place to protect human rights and the environment and ensure equitable use of oil revenues. By late 1999, the project appeared doomed when, under massive public opposition, Shell and TotalFinalElf dropped out of the consortium. Project leader ExxonMobil (40%) saved the project when Chevron and Malaysia’s Petronas, undeterred by the local and global opposition, joined the project at 25% and 35% interests, respectively.

On October 10, 2003, a coalition of Chadian civil society groups called for a national day of mourning on the inauguration of the project. The groups continued to warn of the likelihood of mass environmental and human rights abuse and that Chadian oil revenues “will only be another weapon in the hands of a plundering oligarchy used to oppress the Chadian people.”<sup>186</sup>

## The Project

The Project originally involved drilling 300 oil wells in the Doba fields of southern Chad and the construction and operation of a 650-mile pipeline to transport oil from those fields to an export terminal facility in Cameroon. Along the way, the pipeline passes through rainforest, pygmy territories, and major food and cotton producing areas. Together, they represent one of the largest industrial projects ever done in Africa and the single largest on-shore investment in Africa today. The project has since expanded as active exploration occurs for new wells near Sarh, and new oil fields have already been developed outside the original Doba fields.

Chad had no previous experience dealing with international oil companies, and while an income of 40% to 60% of oil sales is the norm for African oil producing countries, Chad is reported to receive just 12.5%.

The project has fueled violence, impoverished people in the oil fields and along the pipeline route, exacerbated the pressures on indigenous peoples, and created new environmental problems. The money from the oil has paid for arms that have fueled Chad’s civil war and the neighboring and associated conflict in Darfur.

## Violence

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<sup>3</sup> Unless otherwise noted, all references sourced from this paper.

Chad's President Deby came to power in a military coup in 1990. Chadian human rights organizations, as well as the U.S. State Department, painted a picture of a dismal lack of respect for human rights at the time of project preparations in the late 1990s. Amnesty International documented the massacre of unarmed civilians in southern Chad in the oil region in 1998<sup>187</sup> and the U.S. Peace Corps withdrew all its volunteers from Chad because of the spread of violence.<sup>188</sup> Repression and intimidation were ever present in southern Chad where the oil is buried. The risks that the ruling elite from the country's northern clans would use violence to secure the oil in the disenfranchised south were evident.

In January 2001 it became public that Chad has used part of its \$25 million signature bonus from the oil consortium for weapons purchases.

In a 2006 survey, the World Bank reported that people in the oil zone unanimously raised concerns about the lack of security and were told that the gendarmes assigned to protect the oil zone were harshly enforcing an unofficial curfew in the zone.<sup>189</sup> For several years the World Bank has documented robbery, pillage, and banditry in the oil region that not only goes unpunished but also usually involves the security forces. Chadian human rights activists who try to assist the local population are jailed and threatened with death.

#### Employment

During peak construction in 2002 an estimated 6,000 workers were employed in Cameroon, but by 2007, the number was less than 1,000. The ill-treatment of workers, including their imprisonment, is documented by Cameroonian organizations and the International Federation of Building and Wood Workers in Geneva. The unions reported that the companies involved in the project were using the dire economic situation in both Chad and Cameroon to exploit workers, paying them low wages and providing poor working conditions as well as inadequate housing and food.

#### Devastation of Local Environment and Livelihoods

The pipeline cuts across sensitive and valuable ecosystems, particularly in Cameroon's coastal rainforest, and traverses several major rivers. As reported by Friends of the Earth-International, during construction, thousands of people had their lands expropriated, crops and other plants destroyed, and water sources polluted without adequate compensation. Some victims received no compensation whatsoever, including the Bakola and Bagyeli pygmies in the forests of Cameroon.<sup>190</sup> While the oil consortium claims to have "consulted" with the Bagyeli, the Chad-Cameroon Oil & Pipeline Project finds that "there was no consultation in the proper sense of the word." For example, the flyers and brochures that were distributed to the community were of little use, given that the Bagyeli have an oral tradition and are 98% illiterate.<sup>191</sup>

The lack of compensation has been widespread across both nations. Bishop Michael Russo of Doba, the main town in the oil-producing region, for example, reports that prostitution, alcoholism, and environmental degradation have become widespread and that local communities have seen no benefits from the project. A Cameroonian study on

HIV/AIDS along the pipeline corridor found a marked increase of the rate of infection. The World Bank has also found that oil flaring remains a serious health risk and concern for local communities.

Local livelihoods have been deeply affected by the environmental degradation brought about by the project, and the loss of land has been one of the most measurable impacts. In an economy largely based on subsistence farming, land is a question of life and death. According to the World Bank, the project has taken twice the amount of land as originally estimated, and the number of now “non-viable” households has risen more than three-fold.<sup>192</sup>

Lack of communication is ongoing. For example, in January 2007, an oil spill occurred on the Cameroonian coast. Little information was provided on the extent of the spill. Despite the fact that international and domestic media were reporting the news of the spill, the first official information from the oil consortium was only available four days after the incident, and the government has never issued a statement on the issue.<sup>193</sup>

### What Chevron Says

In its “Chad Fact Sheet” Chevron writes that its involvement in the Chad-Cameroon project “further demonstrates the company’s commitment to fostering economic and social development in sub-Saharan Africa. The project is providing jobs, local business opportunities and other benefits for the people of Chad and the greater region.” It cites the consortium’s support of health and education initiatives, including HIV/AIDS and malaria education and prevention programs, among others.

### Community Demands

Local organizations and the international community have called on the companies and the World Bank to ensure adequate compensation and restoration of livelihoods in the oil producing region; to ensure participation by indigenous and other local peoples and ensure their right of ownership to the land that they traditionally occupy; to resolve problems of dust pollution, hazardous waste, and general public health; and to scan all regional compensation projects for defects and identify solutions and resolve outstanding grievances. Amnesty International has found specific fault with the contract arrangement won by the consortium and has called for a renegotiation.<sup>194</sup> Many local and international organizations also demand that the consortium reject the use of or support for the notoriously violent and corrupt military of Chad.

## **CHEVRON IN ECUADOR**

By Amazon Watch

In 1964, Texaco (now Chevron), discovered oil in the remote northern region of the Ecuadorian Amazon, known as the Oriente. Prior to this, the indigenous inhabitants of

this pristine rainforest, including the Cofán, Siona, Secoya, Kichwa, and Huaorani, lived traditional lifestyles largely untouched by modern civilization. The forests and rivers provided the physical and cultural subsistence base for their daily survival.

From 1964 to 1990, Texaco produced oil in the Oriente. In violation of existing environmental laws<sup>195</sup> and industry standards,<sup>196</sup> Texaco made deliberate, cost-cutting decisions<sup>197</sup> in the design, construction, and operation of a sub-standard oil extraction infrastructure that resulted in an environmental catastrophe that experts have dubbed a “Rainforest Chernobyl.”<sup>198</sup>

In a rainforest area roughly the size of the state of Rhode Island, Texaco dug over 350 oil wells, and upon leaving the country in 1992, abandoned at least 916 open, unlined toxic waste pits.<sup>199</sup> These pits continue to pollute the environment, contaminating the water table and polluting the rivers and streams that 30,000 people depend on for drinking, cooking, bathing, and fishing. Texaco also spilled roughly 17 million gallons of crude oil,<sup>200</sup> and dumped more than 18 billion gallons of toxic and highly saline “formation waters”—a byproduct of the drilling process—into the rivers of the Oriente.<sup>201</sup> Such dumping was outlawed in major US oil producing states such as Louisiana and Texas decades before the company began operations in Ecuador,<sup>202</sup> and was in contravention of the company’s legal and contractual obligations in the country.<sup>203</sup> By handling its toxic waste in Ecuador in ways that were illegal in its home country and inappropriate for use in the sensitive ecosystem of the rainforest, Texaco saved an estimated \$8.31 billion.<sup>204</sup> Again, this was a conscious, informed bottom-line decision.

## Devastation

The result of Texaco’s reckless dumping was, and continues to be, one of the worst environmental disasters on the planet. Contamination of soil, groundwater, and surface streams has caused local indigenous and campesino people to suffer a wave of cancer, birth defects, and spontaneous miscarriages. In the almost two decades since Texaco abandoned its disaster in Ecuador, the company has never cleaned up the mess it is responsible for, and the legacy of oily waste continues to poison the rainforest ecosystem to this day.

Scientific surveys, attempting to quantify the health impact of Texaco’s operations in Ecuador, have confirmed what local people know from their own experience: rates of cancer, including mouth, stomach, and uterine cancer, are elevated in areas where there is oil contamination.<sup>205</sup> A court-appointed independent expert in the ongoing trial to hold Chevron responsible for the massive contamination in the region estimated that Texaco is responsible for 1,401 cancer deaths.<sup>206</sup> Other studies have found high rates of childhood leukemia,<sup>207</sup> as well as an abnormal number of miscarriages.<sup>208</sup> Children whose mothers were exposed to contaminated water have been born with birth defects.<sup>209</sup>

Oil production has also irreversibly altered and degraded an environment that people have called home for millennia. By the time it left in 1992, Texaco had aggressively built hundreds of miles of roads. These roads served as arteries into what was once impenetrable rainforest, and were subsequently used by a wave of migrants—many

drawn by job potential in the booming oil fields—to colonize the area and dispossess indigenous peoples of their ancestral territory.

Indigenous peoples who knew the forest intimately and lived sustainably off its resources for countless generations have found themselves forced into dire poverty, unable to make a living in their traditional ways when the rivers and forests are empty of fish and game. The physical ailments they suffer from oil pollution are accentuated by the cultural impoverishment that the oil industry has brought to the region, in many cases amounting to the almost total loss of ancient traditions and wisdom.

When Texaco left Ecuador in 1992, it turned over its entire outdated oil operation and crumbling infrastructure to the country's state oil company, Petroecuador. Using the very same technology, Petroecuador continued to pollute, slowly modernizing its operations over time,<sup>210</sup> but with a long way to go in improving its environmental record. Meanwhile, Texaco conducted a sham “clean-up” of less than 1% of the damage at its former sites beginning in 1995,<sup>211</sup> in most cases merely covering open pits with dirt or burning off the crude by-products.

### What Chevron Says

Chevron argues that the 1995 remediation conducted by Texaco (which Chevron purchased in 2001) adequately cleaned up its share of contamination, and any continuing problems are the responsibility of state-owned Petroecuador. In reality, Chevron has arbitrarily set a grossly inflated standard for the acceptable level of hydrocarbons in the soil at “remediated” sites, five times higher than that allowed in sensitive ecosystems like the Amazon rainforest, even under the relatively lax Ecuadorian law.<sup>212</sup> Furthermore, scientific tests show that many sites Chevron claims were remediated in the 1990s do not even meet this standard.<sup>213</sup> In what amounts to a massive fraud, Chevron scientists used an inappropriate laboratory test that was physically incapable of detecting significant levels of oily waste in order to “prove” that they had remediated the sites and secure a release from the Ecuadorian government.<sup>214</sup> This release and the inadequate clean-up effort that preceded it are now the subject of a fraud indictment in Ecuador against two Chevron attorneys and seven former government officials.<sup>215</sup>

Chevron claims that regardless of any allegations of fraud, it was released by the Ecuadorian government in 1998 from all liability. In reality, the release applied only to the Republic of Ecuador and contains language explicitly “carving out” private legal claims against the company from its terms.<sup>216</sup>

### What Communities Are Doing

Although they were caught off guard in 1964, the inhabitants of the Oriente have organized and are fighting to see Chevron bear responsibility for cleaning up the contamination that it left in their backyards. Under the banner of the Frente de Defensa de la Amazonía (Amazon Defense Coalition), the Ecuadorian victims of Chevron's toxic mess have filed a landmark class-action lawsuit against the company. The lawsuit, first filed in 1993 in New York, continues today against Chevron in a courtroom in the

northern Ecuadorian oil town of Lago Agrio.<sup>217</sup>

A milestone was reached in April 2008, when a court-appointed independent expert reviewed all of the evidence in the trial and recommended that Chevron be held liable for damages between \$7 billion and \$16.3 billion.<sup>218</sup> That assessment of the damages was upped to \$27 billion in November 2008, reflecting contamination, cancer deaths, and clean up costs previously unaccounted for.<sup>219</sup> The report now goes to the judge, who is expected to issue a verdict in the fall of 2009.

Groups outside Ecuador, including Amazon Watch, cooperate with the Frente to help the Ecuadorians affected by the oil contamination tell their stories and when possible bring them to the United States to speak for themselves before Chevron executives, shareholders, and the concerned public.

Amazon Watch works to raise public awareness of the environmental tragedy in Ecuador and to pressure Chevron to do the right thing—for its shareholders, for the communities in Ecuador, and for its own reputation—by cleaning up the damage for which it is responsible, and compensating affected communities for the needless deaths they have suffered.

Chevron has engaged in repeated attempts to subvert the judicial process, ranging from the use of deceptive sampling techniques in scientific studies of the contamination<sup>220</sup> to lobbying efforts in Washington to tie the renewal of Ecuador's trade privileges to its dismissal of the case.<sup>221</sup> We have successfully applied a combination of shareholder activism, media pressure, and direct action to expose these efforts and keep the heat on Chevron's increasingly desperate management.

### **Implications for Chevron Shareholders**

The current global economic crisis of mortgage meltdowns, banking collapse, and massive Bernie Madoff-style fraud has Wall Street reeling and investors more cautious than ever. Investors are entitled by law to proper risk disclosure, transparency, and accountability. Disturbingly, just as the market cries for stability and transparency, Chevron is engaged in a disinformation campaign regarding its potential \$27 billion liability in Ecuador that keeps its own shareholders in the dark and ignores important lessons learned from the current economic crisis.

In the *Aguinda v. Chevron* litigation, the company has refused to fully and adequately disclose its potential liability. Instead, it is misleading shareholders about its financial exposure in the case. Despite the 2008 finding that damages to Chevron could reach \$27.3 billion—an amount greater than the record profits from its global operations that same year—the company has not fully, honestly, and accurately disclosed this exposure consistent with its legal obligations. Not only did Chevron's management refuse to disclose the potential Ecuador liability until last year—a full 15 years after the legal case was filed by thousands of Ecuadorian citizens—but the company's last four filings with the SEC contain verbatim language that presents misleading or incorrect information

intended to downplay the company's exposure.<sup>222</sup> Chevron, for example, claims that it is not subject to jurisdiction in Ecuador and that statutes of limitation come into play.

Yet it is undisputed that Chevron stipulated before a U.S. federal court that it would voluntarily submit to jurisdiction in Ecuador's courts and waive statute of limitation defense as a condition of the case being transferred to that country (over the objections of the plaintiffs). The order granting Chevron's motion to transfer the case, signed on June 21, 2001 by U.S. federal Judge Jed S. Rakoff and lawyers for both parties, is unequivocal on this point.<sup>223</sup> Chevron also claims in its SEC filings that it was released from government claims in Ecuador based on a purported clean-up. A court-appointed expert already has found that the clean-up was at best ineffective and at worst a fraud, and that the release does not apply to the claims of the private citizens bringing the case. These examples, drawn from public record, illustrate the blatant disregard that Chevron management has demonstrated toward its own shareholders and its legal obligation to accurately disclose potential liabilities.

A recent Wall Street Journal article ("Pension Funds Fret as Chevron Faces Ecuador Ruling," April 8, 2009) is right on target. The article reports that several large public pension funds that collectively control over \$1 billion in Chevron stock have expressed concern over the Ecuador liability and plan to vote for a shareholder resolution as a result. They request that the Board prepare a report to assess adequacy of environmental laws in any host country where Chevron operates. All Chevron shareholders should be concerned about the company's neglect of basic regulatory compliance and fiduciary responsibility, and regulatory agencies should be scrutinizing whether Chevron is violating its disclosure obligations under the law.

The impending liability in Ecuador has become an albatross around Chevron's neck, creating a huge potential liability and causing enormous public relations problems. Chevron's utter failure to acknowledge responsibility in Ecuador threatens to place the company at a competitive disadvantage around the world, as local communities and national governments place a greater premium on operational practices in the oil industry that respect the environment—in vivid contrast to Chevron's approach in Ecuador, Nigeria, Burma, and the Philippines. Chevron's management has proven that it is utterly unwilling to confront the legacy of its involvement in Ecuador, a fact that poses a tremendous threat to shareholder value and the long-term growth prospects of the company. Chevron shareholders are now asking hard, detailed questions of management about what promises to be the largest civil judgment in history for an environmental case.

## **CHEVRON IN IRAQ**

"Iraq possesses huge reserves of oil and gas—reserves I'd love Chevron to have access to." —Kenneth T. Derr, CEO of Chevron, 1998<sup>224</sup>

"I am saddened that it is politically inconvenient to acknowledge what everyone knows: the Iraq war is largely about oil." —Alan Greenspan, former Federal Reserve Chairman,

2007<sup>225</sup>

“Of course it’s about oil, we can’t really deny that.” —General John Abizaid, retired head of U.S. Central Command and Military Operations in Iraq, speaking about the Iraq War, 2007<sup>226</sup>

Gulf Oil (today Chevron) entered Iraq following World War I as part of a consortium of U.S. and European companies that maintained control of Iraq’s oil under the concessionary system until 1973, when Iraq nationalized its oil and kicked the corporations out. U.S. oil companies renewed relations with Iraq in 1984, when President Reagan re-opened full diplomatic relations with President Hussein.

Chevron began signing marketing contracts with Saddam Hussein’s Iraq as early as 1989, and continued to market Iraqi oil and refine it at its U.S. refineries through 1991, when sanctions were imposed.<sup>227</sup> In 1996, the UN Oil-for-Food program permitted Hussein to sell some oil for the purchase of humanitarian goods. In 1997, Chevron renewed its marketing of Iraqi oil under the program. It has continued to market Iraqi oil and refine that oil at its various U.S. refineries without interruption in every year since, including 2009.<sup>228</sup>

In 2007, Chevron paid \$30 million to settle charges brought by the U.S. Securities and Exchange Commission that it had paid illegal kickbacks to the Hussein regime to win its Iraqi marketing contracts, after it was revealed that Hussein had established a worldwide network of oil companies and countries that secretly helped Iraq generate about \$11 billion in illegal income from oil sales.<sup>229</sup>

### Winning Iraq’s Oil Prize

Marketing contracts are good, but production contracts are much better. It’s the difference between selling someone else’s oil, and controlling production at the source. Since the 2000 election of George W. Bush, Chevron and other companies have worked to see that a newly created Iraqi government passes the Iraq Oil (or Hydrocarbons) Law, which would transform Iraq from a nationalized oil system—all but closed to U.S. oil companies—to a largely privatized model open to U.S. oil company access and control.

One invasion and six years of occupation later, Chevron is reportedly in negotiations for two Iraqi oil fields, the giant Majnoon field with reserves of at least 12 billion barrels and the Nahr bin Umar field, with reserves of 6.6 billion barrels.<sup>230</sup> Details have not been released, but these appear to be service contracts negotiated with the expectation that they are the first step towards production contracts, and Chevron’s best “foot in the door” until passage of the Iraq Oil Law.

### Pre-Invasion Planning

Ten days into Bush’s first term, representatives of the nation’s largest oil and energy companies, including Chevron, came together as the Cheney Energy Task Force.<sup>231</sup> A top-secret National Security Council memo directed staff to cooperate fully as the Task

Force considered “melding” “the review of operational policies towards rogue states” such as Iraq with “actions regarding the capture of new and existing oil and gas fields.”<sup>232</sup> The Task Force reviewed a series of lists and maps outlining Iraq’s entire oil productive capacity.<sup>233</sup> Two lists entitled “Foreign Suitors for Iraqi Oilfield Contracts” listed more than 60 companies—none American—with contracts in various stages of discussion. Were Hussein to remain in power and the sanctions removed, Iraq’s oil bonanza would go to those foreign companies, while the U.S. would be completely shut out.

At this same time, planning for the military invasion of Iraq was well under way. As Paul O’Neill, Bush’s Treasury Secretary wrote, “already by February [2001], the talk was mostly about logistics. Not the why [to invade Iraq], but the how and how quickly.”<sup>234</sup>

The Wall Street Journal reports that representatives from Chevron, among other companies, met with Cheney’s staff in January 2003 to discuss plans for Iraq’s postwar industry.<sup>235</sup> Following the March 2003 invasion, in October Chevron vice president Norm Szydlowski became the liaison between the U.S. government’s occupation government of Iraq and the Iraqi Oil Ministry.<sup>236</sup>

Chevron and its oil company allies laid out their own plans for Iraq’s oil through the International Tax and Investment Centre (ITIC). Chevron is an original sponsor of the ITIC and has held a seat on its Executive Committee for the last 10 years. Chevron was among six companies to fund and participate in the ITIC’s Iraq project, launched in the summer of 2003.<sup>237</sup> In 2004, the ITIC released “Petroleum and Iraq’s Future: Fiscal Options and Challenges,” which makes ITIC’s case for opening Iraq’s oil industry to foreign oil companies, recommending all-but full privatization and adoption of Production Sharing Agreements (PSAs), the industry’s favorite contract model.<sup>238</sup>

### Post-Invasion Action

Since June 2004, when the new Iraqi government took office, the Bush administration and U.S. oil companies have pushed the Iraqis to pass the Iraq Oil Law and transition Iraq from a nationalized to an all-but-privatized oil system, adopting PSAs. Dan Witt of the ITIC has stated matter-of-factly that the ITIC helped draft the Law.<sup>239</sup>

Chevron has done its own Iraq lobbying. It was among the corporate sponsors of the Iraq Procurement 2004—Meet the Buyers conference at which Iraqi ministers met with U.S. and other corporations, to “further their business relations with the rest of the world.” Chevron launched its Iraq Technical Assistance Program in 2004, sponsoring more than a 1000 Iraqi professionals to attend training courses, seminars, and conferences . . . to help Iraqis in the task of revitalizing their energy industry.<sup>240</sup>

### The Iraq Oil Law

The Iraq Oil Law as currently drafted would give the Iraq National Oil Company control only of currently producing oil fields. All other fields, including new discoveries, would be opened to private companies using PSAs—potentially ceding almost 90% of Iraq’s oil to foreign control at contract terms of up to 35 years. Foreign companies would

not have to invest in the Iraqi economy, partner with Iraqi companies, hire Iraqi workers, or share new technologies. All the oil produced from Iraq's fields could be exported. The companies would also have control over production decisions on their fields—potentially jeopardizing Iraq's OPEC membership.<sup>241</sup>

In February 2007, the Iraqi cabinet signed off on the Oil Law. However, the parliament, representing an Iraqi public opposed to foreign control, has steadfastly refused to pass the Law. Short of the Law's passage, Iraqi Oil Minister al-Shahrastani has offered foreign companies technical service contracts: typically two-year contracts which pay a fixed cash amount, and the model most often used in the Middle East. While the oil companies, including Chevron, have participated in bidding rounds for such contracts (with the promise that they would lead to PSAs), the companies have refused to sign them, likely under the expectation that they will succeed in getting the Oil Law passed or that the Iraqi government will eventually sign PSAs on its own, circumventing the parliament. The pressure appears to be working. In early 2009, al-Shahrastani said that as much as 90% of Iraq's oil fields may be opened to foreign oil companies using PSAs without passage of the Oil Law.<sup>242</sup>

### What Chevron Says

In 2003, a confident Peter J. Robertson, Vice Chairman of ChevronTexaco, said, "Although the final decision for inviting foreign investment ultimately rests with a representative Iraqi government, I believe in due course the invitation will come."<sup>243</sup>

In a November 2008 letter to President-Elect Obama, Chevron recommended a new "Strategic Energy Partnership" as "the Iraqi government opens its energy resources for foreign investment, the U.S. government should highlight the strong value proposition of U.S. company investment."<sup>244</sup>

If and when U.S. oil companies get to work in Iraq they will require protection—most likely that of the U.S. military. A confidential intelligence report on the Iraq Oil Law prepared for U.S. officials and leaked to ABC News concluded that if "major foreign oil companies" were going to go to work in Iraq, they would need to be "heavily underwritten by the U.S. government."<sup>245</sup>

### The Opposition

Iraq's oil workers' unions, women's organizations, academics, and parliamentarians have joined forces to raise awareness of and opposition to the Oil Law and to call for a halt to the pressure from the U.S. government and foreign oil companies calling for its passage. Iraq's five trade union federations released a statement rejecting "the handing of control over oil to foreign companies, which would undermine the sovereignty of the state and the dignity of the Iraqi people."<sup>246</sup> Iraqis opposed to the Oil Law have teamed up with activists in countries perpetrating the war and home to the oil corporations, and a global resistance campaign has been launched by organizations such as Iraq Veterans Against the War, Oil Change International, United for Peace and Justice, the Institute for Policy Studies, U.S. Labor Against the War, London's Platform, Hands Off Iraqi Oil

Coalition, and others.

In California, on the fourth anniversary of the war, protestors blockaded Chevron's world headquarters by locking themselves to oil barrels spray-painted with the words "Stop the Iraq Oil Theft Law."

## **CHEVRON IN KAZAKHSTAN**

### **By Crude Accountability**

Chevron was the first major foreign oil company to secure operations in Kazakhstan in 1993 and has since become the country's largest private oil producer.<sup>247</sup> In 2008 approximately 10% of Chevron's worldwide net oil-equivalent production was in Kazakhstan,<sup>248</sup> with a daily average of 629,000 barrels of crude oil and natural gas liquids and 1.3 billion cubic feet of natural gas.<sup>249</sup> These sizeable production figures are the result of Chevron's investments at the Tengiz and Karachaganak fields. Chevron has a 50% interest in Tengizchevroil (TCO), which operates the Tengiz Field, the world's deepest super-giant oil field, and a 20% interest in the Karachaganak Field, one of the world's largest oil and gas condensate fields.<sup>250</sup> Chevron has a 15% interest in the Caspian Pipeline Consortium pipeline, which exports crude oil from these two fields to ports on Russia's Black Sea coast.<sup>251</sup>

### **Behind the Numbers**

Chevron's operations have been mired in gross public health, environmental, human rights, and labor violations. At both the Tengiz and Karachaganak fields, the local communities have long been denied basic access to information on field operations and environmental impacts. In both cases, the surrounding populations began to suffer greatly from an unprecedented variety of illnesses upon development of the fields, including respiratory illnesses, blood illnesses, cardiovascular illnesses, and high levels of stillborn babies, all of which medical specialists have determined to be directly related to the oil industry.<sup>252</sup> In both instances, it was eventually discovered that national environmental legislation was being violated, waste was not being stored properly, pollution limits were being exceeded, and the government of Kazakhstan levied fines on the projects. In both cases, the environment has been altered to such a destructive extent that the need to relocate the affected populations has become undeniable.

At Tengiz, the high sulfur content of the oil extracted and stored at the field has caused significant damage to the environment and the health of field workers and nearby residents.<sup>253</sup> Tengizchevroil maintains that the open air storage of sulfur is insignificant in terms of environmental or human health threats,<sup>254</sup> but history has not born the same conclusion. In 2007, a regional court fined TengizChevroil approximately USD 306.4 million for improperly extracting sulfur from oil and storing more than 2.8 million tons of sulfur without government permission from 2003-2006.<sup>255</sup> (Local environmentalists point out that while 2.8 million tons were found to be stored illegally, there were nine million

tons stored in total<sup>256</sup>). And as a result of the damaging pollution of sulfur and other toxins, the government of Kazakhstan mandated that TengizChevroil relocate two affected villages.<sup>257</sup> While relocation was necessary, the manner in which these relocations were undertaken by TengizChevroil was fraught with human rights abuses and should not serve as a model for future relocation.<sup>258</sup>

At Karachaganak, 2008 marked the sixth year of tireless campaigning by the village of Berezovka—located a mere five kilometers from the field—for compensation and relocation to a safe and environmentally clean location of its choosing. Upon the start of field operations, the health of this traditionally agricultural community of 1,300 began to decline precipitously, with an independent 2003 study documenting nearly 45% of the population suffering from chronic illnesses.<sup>259</sup> Blood samples taken by an independent laboratory in 2004 indicated that the villagers were suffering from exposure to hydrogen sulfide and other toxins associated with petroleum extraction and refining.<sup>260</sup>

Over the next several years, community and government air monitoring programs established an alarming record of toxins in the vicinity of the field. Community monitoring registered over 25 toxic substances in the air, including hydrogen sulfide, methylene chloride, carbon disulfide, toluene, and acrylonitrile.<sup>261</sup> In 2005 Karachaganak's regional environmental authority denied the consortium, Karachaganak Petroleum Operating B.V. (KPO), its operating license due to environmental violations, including emitting 56 thousand tons of toxic waste in the atmosphere in 2004, improper storage of toxic solid waste on the field, and dumping toxic effluent into the water table.<sup>262</sup> Again in March 2008, a Kazakhstani court levied another USD \$15 million for further environmental damages.<sup>263</sup>

According to Kazakhstani law, which stipulates a five-kilometer Sanitary Protection Zone (SPZ), the villagers should have been relocated upon the start of field operations. However, in 2003, KPO convinced the government to reduce the SPZ to three kilometers, claiming “superior technology” had been introduced at the field, effectively barring the Berezovka villagers from relocation.<sup>264</sup> The SPZ was reduced without a state environmental assessment, without notice to local residents, without consideration for public opinion, and without public participation in the decision-making process—in violation of Kazakhstani law and the Aarhus Convention on access to information. After three years of public protest, Kazakhstan's Public Prosecutor found the 2003 decision to reduce the SPZ to be illegal, and the five-kilometer SPZ was reinstated in 2006.<sup>265</sup> However, neither KPO nor the government has made reparations to the villagers for the years of violations to their rights or has made efforts to relocate the village.

The village of Tungush, which had been located three kilometers from the Karachaganak Field, was hastily and carelessly relocated in 2003, leaving the villagers holed up in a high-rise apartment and ill-prepared for city life.<sup>266</sup> Though Berezovka is the only home most have ever known and they are not eager to leave their roots, the villagers have come to understand that they must fight for the resettlement to which they are entitled to ensure the health of future generations.

Riots broke out at Tengiz in 2006 when Kazakhstani and Turkish workers fought over

wage discrepancies, leading to nearly 200 injured workers and reports of deaths.<sup>267</sup>

### What Chevron Says

To date, Chevron has failed to take any responsibility for the serious environmental and health damages caused by operations at the Karachaganak Field. Though eager to take credit for the field's healthy production and revenue figures, when faced with questions regarding the unhealthy environment produced by the field's operations, Chevron is quick to point out that it is only one member of the KPO consortium, and is not the operator.<sup>268</sup> The other consortium members claim that the government of Kazakhstan is responsible, and the government has indicated that the relocation of the village is the financial responsibility of the consortium. Finally, the International Finance Corporation, which provided USD \$150 million in loans for field development, has thus far failed to take any responsibility, despite recognizing that its own environmental monitoring standards for air pollution have been violated.<sup>269</sup>

### The Local Community

The Berezovka Initiative Group and its partners, the US-based environmental justice organization Crude Accountability and the Kazakhstani Ecological Society "Green Salvation," are challenging Chevron and its partners in KPO, the International Finance Corporation, and the local and national government of Kazakhstan, all of whom have repeatedly turned the other way as the human rights of the villagers have been violated. Learning from the haphazard relocation of the villages near Tengiz and the village of Tungush, the citizens of Berezovka are committed to attaining compensation and relocation under their own terms.

## **CHEVRON IN NIGERIA**

By Environmental Rights Action/Friends of the Earth Nigeria and Justice in Nigeria Now

Nigeria is an important part of Chevron's overall business portfolio and remains one of Chevron's largest exploration and production operations.<sup>270</sup> Chevron's operations in Nigeria include exploration, production, blending, manufacturing, and marketing.<sup>271</sup>

Chevron began oil production in Nigeria's Niger Delta in 1963, and they currently hold a 40% interest in 13 onshore and near off-shore concessions in the Niger Delta, along with differing interests in several deepwater blocks.<sup>272</sup> The Delta provides the vast majority of Chevron's Nigeria production: in 2008 Chevron's total daily production from Nigeria averaged 376,000 barrels of crude oil, 181 million cubic feet of natural gas and 16,000 barrels of LPG. Of this total amount, the Niger Delta fields produced daily average amounts of 332,000 barrels of crude oil, 154 million cubic feet of natural gas and 6,000 barrels of LPG.<sup>273</sup>

Chevron, like all foreign oil companies operating in Nigeria, operates as a joint venture

with the state-owned Nigerian National Petroleum Corporation (NNPC), who has a 60 percent stake in all oil revenues.<sup>274</sup>

Chevron's production fields are mainly clustered around Escravos, Eastern Operations, and Funiwa, all located at the base of the Delta, where the fresh water creeks meet the Gulf of Guinea. Communities located close to Chevron's facilities include several communities in Ilajeland in Ondo state. Those close to Escravos in Delta State include Ugborodo and Gbaramatu communities and Aja-Omaetan in Warri, North of Delta State, among others. Several different ethnic groups reside in these communities, including the Ilaje, the Itsekiri, and the Ijaw.<sup>275</sup>

### Devastation

Oil revenues have brought little benefit to the communities of the Niger Delta, many of which lack access to clean drinking water and electricity. Limited access to education and healthcare continues to be a problem for Delta residents. After more than 50 years of oil production, almost \$300 billion in oil revenues has flowed directly into the federal coffers.<sup>276</sup> However, per capita income in 2007 stood at \$294 per year,<sup>277</sup> and for the majority of Nigerians, living standards are no better now than at independence in 1960. Negative economic effects of resource production are compounded by harmful environmental consequences of oil and gas production in the Niger Delta.

The Niger Delta hosts one of the largest concentrations of biodiversity in the world, including one of the largest mangrove forest ecosystems in Africa. This delicate habitat and the mainly subsistence farming and fishing that comprise the majority of the economy of the Delta have been devastated by Chevron and other oil companies' operations in the region.<sup>278</sup> Effects include land degradation, air pollution, biodiversity depletion, flooding and coastal erosion, noise and light pollution, health problems, and poor agricultural productivity.<sup>279</sup>

Oil spills occur regularly in the Delta, and other hazardous wastes are dumped in waterways and farmlands, thus jeopardizing the health of the environment and peoples.<sup>280</sup> Additionally, Chevron has dredged many of the creeks for their production, breaching the earthen walls that naturally keep out the salt water from the creeks. As a result, many of the creeks where Chevron operates are now brackish, which has led to a mass die-off of freshwater fish, devastating the fishing economy.<sup>281</sup>

Nigeria is also host to the world's largest concentration of gas flares, and this toxic practice, now illegal in Nigeria, produces more carbon dioxide than all other activities in the whole of sub-Saharan Africa.<sup>282</sup> These gas flares continue unabated, and rather than re-inject or harness the gas for productive uses, Chevron continues with this wasteful, toxic practice, leading to widespread negative health impacts among the people of the Niger Delta, where villagers suffer from asthma and other respiratory illnesses and cancers.<sup>283</sup>

Exacerbating the environmental harm is the continued economic marginalization of Delta communities. Although more oil revenues are now flowing from the federal

government to the Delta region, under a new “derivation formula” that requires at least 13% (up from 6%) of the oil revenue to be returned to the states where it is produced, local people in the Delta continue see little if any benefit from their community’s oil resources.<sup>284</sup>

Along with economic and environmental harms, Chevron and other energy companies operating in the Delta have been complicit with and benefited from human rights violations committed by security forces against local communities protesting effects of extractive activities.<sup>285</sup> Chevron continues to employ and pay the notoriously brutal Nigerian military to provide it with security services. The military are known to violently repress peaceful protest by villagers from the Delta communities.<sup>286</sup>

### What The People Want

The environment literally is the life of the people in the communities decimated by oil exploration and exploitation. With a massively polluted environment, life in the communities where Chevron is present has become precarious. Local communities seek an audit of the environment effects of oil production and remediation of polluted areas and are requesting compensation for their polluted lands and creeks, some mitigation for the damage, and the development of basic infrastructure and jobs. Key to creating a healthier environment is the demand to stop gas flaring. Additionally, communities want to have a serious say in how resources located on their lands are exploited—by whom and on what terms.

The environmental and economic harms caused by oil companies in the Delta and a lack of adequate redress led to numerous peaceful protest directed at Chevron and other oil companies from the 1990’s<sup>287</sup> into the present day (Escravos 2005, Ugborodu 2009). Local discontent and protest continue in the Delta, and Chevron’s failure to address adequately local demands, along with domestic internal governance challenges, means that protests and opposition to Chevron’s presence will likely continue.<sup>288</sup>

In 2008 Chevron was taken to U.S. Federal court in San Francisco for its role in collaborating with the Nigerian military in 1998 to quell a peaceful, unarmed protest at their offshore Parabe Oil Platform.<sup>289</sup> The protest was violently suppressed by Nigerian security forces—paid and transported by Chevron—resulting in the death of two men and injury and torture of others. Though a U.S jury found Chevron not liable for the military’s actions, the company did not deny paying the soldiers, transporting them, and directing them the day of the attacks. The plaintiffs in the case have announced they will appeal the decision.<sup>290</sup>

The 1998 incident at Parabe is but one example of Chevron utilizing the notoriously brutal Nigerian security forces, now called the Joint Task Force (JTF), to suppress opposition to its activities in the Delta. As recent as November 2008 Chevron called in the JTF again to violently suppress a peaceful protest in the community of Ugborodo, outside the city of Warri near its Escravos terminal.<sup>291</sup> The community members were protesting a lack of jobs and an ongoing request for Chevron to honour a Memorandum of Understanding (MOU) that the community signed with the company in 2002 regarding

the allocation of a certain number of jobs for local residents.<sup>292</sup>

Mr. Isaac Botosan, the vice chairman of Ugborodo Community Trust spoke about why they protested and what happened:

To our greatest shock our youths, women, and children met with gunfire from [Chevron Nigeria Limited] CNL security personnel who started shooting at the sight of the community's peaceful demonstrator's boat... all we want are jobs for our youths and contracts for the able community people."<sup>293</sup>

#### What Chevron Says

Chevron has yet to take responsibility for its role in using the brutal JTF to suppress peaceful protest. During the *Bowoto v Chevron* trial, Chevron's attorneys argued that its use of the Nigeria security services was a reasonable response to the peaceful protest at Parabe.<sup>294</sup> However, according to the U.S. State Department, "[t]he JTF reportedly used excessive force and engaged...in gun battles, which occasionally resulted in civilian casualties and worsened security. Credible reports indicate the JTF's participation in violent clashes resulted in the destruction of communities."<sup>295</sup>

Regarding continued toxic gas flaring; a Chevron official states that the company is taking a "phased approach to gas flares stoppage."<sup>296</sup>

## **CHEVRON IN THE PHILIPPINES**

By Filipino-American Coalition for Environmental Solidarity (FACES)

Chevron owns an oil terminal in Pandacan, an urban district in Manila. The massive Pandacan oil depot sits on over 81 acres of land and is owned by Chevron Philippines Inc. (formerly Caltex Philippines Inc.), Petron Corp., and Pilipinas Shell Petroleum Corp. Since 2004, Chevron and its partners have operated in a joint venture called the Pandacan Depot Services Inc. (PDSI).<sup>297</sup>

The Pandacan oil depot was constructed in 1910.<sup>298</sup> Texaco started working in the Philippines in 1917, shortly after the U.S. claimed the Philippines as a territory. In 1936 a joint venture between The Texas Co. and Chevron's predecessor, Standard Oil Co. of California, created Caltex. The U.S. Army took control of the depot in 1941, burned the stored petroleum, which set the bordering Pasig River ablaze for several weeks, and destroyed the terminal. At the conclusion of WWII, and despite the considerable population increase of Pandacan, Caltex and its partners reconstructed the depot and resumed operations.

In 1947, Caltex converted its Pandacan warehouse into the country's first distribution terminal. In 1954, Caltex opened the Batangas Refinery, the first petroleum refinery in the Philippines.<sup>299</sup> The Batangas refinery connects to Pandacan by a 71-mile underground pipeline system. By 1994, Chevron had the most depots and largest retail network in the country and a total of 25 terminals and depots.<sup>300</sup> In 1999 Chevron acquired a 45% interest in the offshore Malampaya DeepWater Natural Gas Project, operated by Shell Philippines.<sup>301</sup> The development is the single largest foreign investment in the Philippines.<sup>302</sup>

### Close Proximity to Danger

Chito Adofina, a community activist, says the depot is “potentially the biggest disaster waiting to happen in the petrochemical industry.” More than 84,000 people, the majority of whom are low income, live in the surrounding area. Daycare centers, churches, historic sites, and businesses operate in the district. Over 25,000 students attend Polytechnic University of the Philippines (PUP), located across from the depot on the banks of the Pasig River. Malacanang Palace, the official residence of the president, is just two kilometers away.<sup>303</sup> Officials warn that an accident or terrorist attack could be disastrous for Pandacan and the 10.9 million residents of Metro Manila. Because the depots sit on the banks of the Pasig River, it is feared a conflagration could spread to other parts of the city.<sup>304</sup>

Catastrophic spills, leakages, and explosions have sickened the community. In 2001 dozens of students at the neighboring PUP campus suffered headaches and vomiting during a gas leak.<sup>305</sup> In early 2006 40,000 liters of oil leaked from the depot.<sup>306</sup> In 2008 a defective tanker carrying 2,000 liters of gasoline and 14,000 liters of diesel caused a deadly explosion near the depot exit gate, alarming officials and residents.<sup>307</sup> Chevron has not implemented a comprehensive warning system to alert residents of danger.

### Chronic Health Risks

Pandacan residents suffer from long-term exposure and illnesses associated with the depot operations. Lab results from 2003 air monitoring samples found alarming levels of benzene, a known carcinogen, in the air.<sup>308</sup> A 2005 study reported abnormal levels of lead in urine samples of Pandacan residents and diagnosed lower rates of median neuropathy at increased distances from the depot.<sup>309</sup> Chevron has not implemented regular air monitoring to detect hazardous chemicals.

### Circumventing the Law

In response to the dangers posed by the depot, on December 28, 2001, the City of Manila passed Ordinance 8027, reclassifying the area from industrial to commercial and mandating closure of the depot.<sup>310</sup> The ordinance was enacted after the 9/11 attacks in the United States.<sup>311</sup> However, rather than pursue outright removal of the depot, the Manila City Government and DOE entered a memorandum of understanding with the oil companies, agreeing to a minimal “scaling down of operations.”<sup>312</sup> Chevron and its partners filed petitions seeking injunctions to suspend the ordinance. Rather than

construct a true buffer zone, the oil companies constructed an inadequate green zone or “linear park” a few meters wide and encircling the depot, through which residents walk and children play. Following negotiations with government officials, on January 12, 2004 Chevron and its partners were issued an Environmental Compliance Certificate.<sup>313</sup>

Social Justice Society (SJS) and other proponents filed a case before the Supreme Court, seeking enforcement of the ordinance. In March 2007, the SC upheld the ordinance and ordered closure of the depot within six months. “The objective of the ordinance is to protect the residents of Manila from the catastrophic devastation that will surely occur in case of a terrorist attack on the Pandacan terminals,” the SC said.

On February 13, 2008, the SC upheld its decision, rejecting the motion for reconsideration filed by the oil companies. Chevron and its partners were given 90 days to submit a comprehensive relocation plan. “Essentially, the oil companies are fighting for their right to property. They allege that they stand to lose billions of pesos if forced to relocate. However, based on the hierarchy of constitutionally protected rights, the right to life enjoys precedence over the right to property,” said the SC decision. “No reason exists why such a protective measure should be delayed.”<sup>314</sup>

In March 2009, members of the Manila City Council wrote an ordinance that, if passed, could allow the oil depot’s continued stay. The proposed ordinance was written without consultation of residents. Community groups including AESJ have filed a complaint.<sup>315</sup> Chevron fails to meet existing legislation or to address the serious concerns of residents for their safety and survival.

### What Chevron Says

Mark Quebral, Chevron Philippine Inc.’s Manager for Policy, Government, and Foreign Affairs, calls Pandacan the “energy lifeline” of Manila and the country. In response to letters of concern sent by FACES, Randy Johnson, Country Chairman of the Philippines, wrote: “At Chevron, it is a core belief that our long-term success is largely dependent on the overall well-being of the communities where we operate...Chevron Philippines, Inc. places the highest importance to the safety, security, and environmental aspects in our business operations. The Pandacan Terminal has operated more than 80 years safely and without significant incident...Adequate internal security measures are well in place at the Pandacan Terminal.”<sup>316</sup>

### What Community Groups Want

For years, community members have demanded relocation of the depot. “We ask that Chevron and the other oil companies implement the Supreme Court decision without delay, and take away the constant shadow of a holocaust,” says Sixto Carlos, community activist. Community members advocate for a speedy but also thoughtful relocation and do not want simply construction of “another Pandacan” that endangers another community.

Residents and stakeholders ask to be included in an informed decision-making process.

Chevron and its partners must include health studies and proper environmental remediation, ensuring that all toxic contamination of soil, water, land, and permanent structures are cleaned up to standards appropriate for commercial use. A relocation plan must ensure economic redevelopment that benefits residents, brings alternative livelihood jobs and affordable housing to the site, and protects the environment.

## **CITY RESOLUTIONS/DIVESTMENT CAMPAIGNS AGAINST CHEVRON**

**Berkeley Boycotts Chevron:** On January 29, 2008, the Berkeley City Council adopted a resolution mandating that the city “cease all purchases from Chevron” as a result of the corporation’s record of ecological destruction and involvement in human rights abuses in Angola, Burma, Ecuador, Nigeria, and the San Francisco Bay Area. Berkeley Commissioner Diana Bohn, said “The City of Berkeley stood up today and sent a clear message to Chevron: your corporate recklessness will not be tolerated.”<sup>317</sup>

**San Francisco Condemns Chevron:** On June 2, 2008, the city and county of San Francisco passed a resolution which “condemned Chevron Corporation for a systematic pattern of ethically questionable investments, complicity in human rights abuses, and environmental devastation in countries and communities in which it operates.” “We expect there to be a growing number of similar resolutions adopted by cities across the U.S.,” said Mitch Anderson of Amazon Watch, one of more than a dozen organizations backing the measure. “The fact that this resolution has now been passed in Chevron’s own backyard, shows how Chevron CEO David O’Reilly has brought the company to the brink of losing its social license to operate.”<sup>318</sup>

**Amnesty International Targets Chevron:** Chevron is an Amnesty International “Target Company.” Citing Chevron’s legacy of “toxic pollution with widespread human rights impacts,” including “turn[ing] its back on Amazon communities poisoned by oil contamination left by their subsidiary, Texaco,” and “struggling with ongoing controversies in Nigeria, Angola, and Myanmar... clear examples of the gravity of corporate human rights abuses,”<sup>319</sup> Amnesty has filed several Chevron shareholder resolutions and through its SHARE POWER campaign, has called on its millions of members to pressure universities and pension/investment funds to support its Chevron shareholder resolutions and establish investor responsibility committees and proxy voting guidelines.

## **CHEVRON’S OBLIGATIONS**

Each section of this report detailing Chevron’s actions from Alaska to the Philippines ends with specific demands from the affected communities and their allies. From these arise several key principal obligations required of Chevron.

## Clean Up Your Mess

Chevron has left a legacy of environmental and community destruction. A persistent theme permeates this report: Chevron's refusal to use its vast resources to invest in the safest, most sophisticated, and superior methods of production has destroyed lives, livelihoods, and the world's environment. There is much that Chevron can do to mitigate the damage it has caused by making the necessary investments now to right these longstanding wrongs. Lawsuits, such as those in Ecuador, Alaska, Nigeria, Richmond, and elsewhere, are only the beginning. Chevron can be a standard bearer, by cleaning up its mess before another court forces it to do so.

## Clean Up Your Act

There is absolutely no reason why one of the most profitable corporations in world history should not invest its billions of dollars in the safest, most sophisticated, newest, and cleanest technology available at all of its operations, regardless of where they are located. Now is the time to make these investments.

## Reject Alliances with Brutal Governments and Their Militaries

There are costs that are too great to pay for additional oil. The accounts of people from Burma, Nigeria, Chad, Angola, Iraq, and elsewhere should leave no illusions as to the ultimate price born by local communities when Chevron chooses to align with and avail itself to the world's most brutal regimes.

## Pay Your Fair Share

Invest in the communities within which Chevron operates by paying taxes and royalties commensurate with its operations. Spend less on lobbying and more on investing in and supporting the financial needs of the nations and localities within which Chevron works.

## Offer Transparency In All Operations

Open the doors to Chevron's refineries, gas stations, tax accounting, and payments to foreign governments and their militaries. Delineate exactly how and where renewable energy investments are made. Let the sunlight in.

## Be the Best Oil Company That Chevron Can Be

Rather than pursue token investments in questionable alternative energy programs, rather than destroy the environment further by pushing forward into increasingly destructive modes of production, rather than invest in polluting coal and chemicals, use Chevron's wealth to turn its remaining oil operations into the standard bearer for the most humane, environmentally sane, and equitable production in the world.

Chevron is right. The world will continue to use oil as it transitions to a sustainable green renewable energy economy. Whether Chevron will be in business as we make the

transition depends upon what sort of company it chooses to be and whether the public is willing to support it.

## RESOURCES

Alternative Annual Report  
Coalition Website  
[www.TrueCostofChevron.com](http://www.TrueCostofChevron.com)

Amazon Watch  
San Francisco, CA  
[www.amazonwatch.org](http://www.amazonwatch.org)

Antonia Juhasz  
San Francisco, CA  
[www.TyrannofOil.org](http://www.TyrannofOil.org)

Asian Pacific Environmental Network  
Oakland, CA  
[www.apen4ej.org/](http://www.apen4ej.org/)

Centre pour l'Environnement et le  
Development Cameroun  
Yaoundé, Cameroon  
[www.cedcameroun.org](http://www.cedcameroun.org)

Communities for a Better Environment  
Oakland, CA  
[www.cbecal.org](http://www.cbecal.org)

CorpWatch  
San Francisco, CA  
[www.corpwatch.org](http://www.corpwatch.org)

Crude Accountability  
Alexandria, VA  
[www.crudeaccountability.org](http://www.crudeaccountability.org)

Direct Action to Stop the War  
San Francisco, CA  
<http://bayareadirectaction.wordpress.com/>

Earthjustice  
Oakland, CA

[www.earthjustice.org/](http://www.earthjustice.org/)

EarthRights International  
Washington, DC  
[www.earthrights.org](http://www.earthrights.org)

Environmental Defense  
New York, NY  
[www.edf.org](http://www.edf.org)

Environmental Rights Action - Friends  
of the Earth Nigeria  
Benin City, Nigeria  
[www.eraction.org/](http://www.eraction.org/)

Filipino-American Coalition for  
Environmental Solidarity  
San Francisco, CA  
[www.facsolidarity.org](http://www.facsolidarity.org)

Global Exchange  
San Francisco, CA  
[www.globalexchange.org](http://www.globalexchange.org)

Institute for Policy Studies  
Sustainable Energy and Economy  
Network  
Washington, DC  
[www.ips-dc.org/SEEN](http://www.ips-dc.org/SEEN)

Iraq Veterans Against the War  
Philadelphia, PA  
<http://ivaw.org/>

Justice In Nigeria Now  
San Francisco, CA  
[www.justiceinnigerianow.org](http://www.justiceinnigerianow.org)

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Oil Change International  
Washington, DC  
www.priceofoil.org

Sierra Club Florida  
St. Petersburg, FL  
www.florida.sierraclub.org/

Protect Our Coast, Inc.  
Pascagoula, MS  
www.protectourcoast.org

Trustees for Alaska  
Anchorage, AK  
www.trustees.org/

Rainforest Action Network  
San Francisco, CA  
www.ran.org

U.S. Labor Against the War  
Washington, DC  
www.uslaboragainstar.org/

Richmond Progressive Alliance  
Richmond, CA  
www.richmondprogressive

West County Toxics Coalition  
Richmond, CA  
www.westcountytoxicscoalition.org

#### Sponsor Organizations

Amazon Watch, Crude Accountability, Global Exchange, Justice in Nigeria Now, and Rainforest Action Network.

#### With

CorpWatch, Filipino-American Coalition for Environmental Solidarity, Environmental Rights Action/Friends of the Earth Nigeria, Trustees for Alaska, Communities for a Better Environment, Mpalabanda, Richmond Progressive Alliance and EarthRights International.

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- <sup>167</sup> Interview #006 (2008, defector from battalion 273), on file with ERI.
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- <sup>173</sup> See generally, CDA: Corporate Engagement Project: *Reports of CDA/CEP Visits to the Yadana Pipeline - Myanmar/Burma (reports 1-5)* available at <http://www.cdainc.com/cdawww/publication.php>
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- <sup>175</sup> Total : Human Rights in Burma, available at [http://burma.total.com/en/contexte/p\\_1\\_1.htm](http://burma.total.com/en/contexte/p_1_1.htm); (The ILO has never claimed that there is no forced labor in the Yadana pipeline area, nor that the pipeline region is the only area in Burma without forced labor.)
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- <sup>181</sup> EPA OIG Report, supra note 18, at Appendix D. See also, U.S. EPA, Criteria Pollutants, <http://www.epa.gov/air/oaqps/greenbk/o3co.html>.
- <sup>182</sup> CBC News North, "Dehcho, Chipewyan nations call for oil sands moratorium," January 31, 2007.
- <sup>183</sup> <http://www.canada.com/topics/news/national/story.html?id=00686d4c-24d9-417d-9dd1-714592491e7f>.
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- <sup>186</sup> Ibid.
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- <sup>189</sup> International Advisory Group, Report of Mission 11 to Chad, Montreal, September 24-October 14, 2006, <http://www.gic.iag.org/doc/PR93125.025-ENG.pdf>
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<sup>192</sup> External Compliance Monitoring Group, Second site Visit, Post-Project Completion November 2005, available at [www.ifc.org](http://www.ifc.org).

<sup>193</sup> Friends of the Earth International, “Chad-Cameroon Pipeline,” <http://www.foei.org/en/publications/link/mining/26case.html>.

<sup>194</sup> Statement of Mila Rosenthal, Director, Business and Human Rights Program, “Release of Contracting Out of Human Rights: The Chad-Cameroon Pipeline,” Amnesty International, September 7, 2005.

<sup>195</sup> Texaco violated Ecuador’s 1921 *Ley de Yacimientos* (Mineral Deposits Law), a 1971 Hydrocarbons Law in 1971 that required oil companies to “adopt all necessary measures to protect the flora, fauna, and natural resources” and to “avoid contamination of water, air, and land;” 1972 *Ley de Agua* (Water Law); and 1976 *Ley de Prevención y Control de Contaminación Ambiental* (Law of Prevention and Control of Environmental Contamination).

<sup>196</sup> American Petroleum Institute, *Primer on Oil and Gas Production*, Chapter 12, 1962.

<sup>197</sup> Internal Texaco memos released during the trial have, for example, revealed that Texaco destroyed records of oil spills and considered lining its waste pits but ruled out the option as too expensive. Copies of these memos are available from Amazon Watch.

<sup>198</sup> Lifsher, Marc, *Wall Street Journal*, Oct. 30, 2003.

<sup>199</sup> Cabrera, Richard, expert for the Court of Nueva Loja, Ecuador. “Court Expert Summary Report,” March 2008. p. 25. <http://chevrontoxico.com/assets/docs/cabrera-english-2008.pdf>.

<sup>200</sup> Kimerling, Judith, *Amazon Crude*. Natural Resources Defense Council, 1989.

<sup>201</sup> *Aguinda v. ChevronTexaco* trial record, and Chevron’s public admissions (“Toxic Legacy,” *Bloomberg Markets*, February 2009, p. 79).

<sup>202</sup> “Order No. 29-A, Statewide Order Governing the Drilling for and Producing of Oil and Gas in the State of Louisiana,” State of Louisiana Department of Conservation, Minerals Division, May 20, 1942. “Texas Oil and Gas Statewide Rulebook, Railroad Commission of Texas,” July 1, 1967.

<sup>203</sup> Texaco’s operating agreement with Ecuador required it to ““employ modern and efficient machinery”” and to ““avoid contamination of waters, airs, and lands.”” Texaco violated this agreement by using substandard technology and waste management practices.

<sup>204</sup> Cabrera, Richard, “Court Expert Summary Report.” p. 6.

<sup>205</sup> San Sebastian M., Armstrong B., Cordoba JA. and Stephens C., “Exposures and cancer incidence near oil fields in the Amazon basin of Ecuador,” *Occupational & Environmental Medicine*, 58(8):517-22 (2001).

<sup>206</sup> Cabrera, Richard, “Responses to the Plaintiffs’ Questions Concerning the Expert Report,” November 2008. Document on file with plaintiffs and Amazon Watch.

<sup>207</sup> Hurtig AK. and San Sebastian M., “Incidence of Childhood Leukemia and Oil Exploitation in the Amazon Basin of Ecuador,” *International Journal Of Epidemiology*; 31:1021-1027 (2002).

<sup>208</sup> San Sebastian M., Armstrong B. and Stephens C., “Outcomes of pregnancy among women living in the proximity of oil fields in the Amazon basin of Ecuador,” *International Journal Of Occupational & Environmental Health*, 8(4):312-9 (2002).

<sup>209</sup> Dematteis, Lou and Szymczak, Kayana, *Crude Reflections*. San Francisco: City Lights Books, 2008. p. 54.

<sup>210</sup> Petroecuador began reinjecting some produced water in 1996.

<sup>211</sup> Texaco claims to have spent \$40 million, compared to over \$6 billion that court-appointed expert Richard Cabrera estimates as the cost of a true environmental remediation (see Cabrera, “Court Expert Summary Report”).

<sup>212</sup> Texaco’s target for Total Petroleum Hydrocarbons (TPH) in soils was under 5,000 parts per million (see Cabrera, “Court Expert Summary Report” p. 25, and Woodward-Clyde International, Inc., “Remedial Action Plan for the Former Petroecuador-Texpet Consortium,” September 8, 1995). Ecuadorian law, by contrast, sets a standard of 1,000 ppm for TPH (Cabrera, “Court Expert Summary

Report” p. 13), which is still higher than that in some U.S. states.

<sup>213</sup> Cabrera, Richard, “Court Expert Summary Report.” Annex H.

<sup>214</sup> Beltman, Douglas and Maest, Ann, “Texaco’s Misuse of the TCLP Test in Ecuador,” February 2009 (on file with plaintiffs and at <http://www.chevrontoxico.com>).

<sup>215</sup> Kolker, Carlyn. “Chevron Lawyers Indicted by Ecuador in Oil-Pit Cleanup Dispute.” *Bloomberg*, Sept. 13, 2008.

<sup>216</sup> “Contract for Implementing of Environmental Remedial Work and Release from Obligations, Liability, and Claims,” Page 6, May 4, 2005 (on file with the Lago court and with the plaintiffs).

<sup>217</sup> See legal complaint filed in Superior Court of Nueva Loja, Ecuador, May 7, 2003. At <http://chevrontoxico.com/assets/docs/2003-ecuador-legal-complaint.pdf>

<sup>218</sup> Cabrera, Richard, “Court Expert Summary Report.” March 24, 2008.

<sup>219</sup> Cabrera, Richard, “Responses to the Plaintiffs’ Questions Concerning the Expert Report.” November 2008. Document on file with plaintiffs and Amazon Watch.

<sup>220</sup> Maest, Ann; Quarles, Mark, P.G.; Powers, William, P.E., “How Chevron’s Sampling And Analysis Methods Minimize Evidence Of Contamination.” March 10, 2006. (on file with plaintiffs, and at <http://www.chevrontoxico.com/>)

<sup>221</sup> Isikoff, Michael, “A \$16 Billion Problem.” *Newsweek*, July 26, 2008.

<sup>222</sup> Chevron’s SEC filings at <http://investor.chevron.com/phoenix.zhtml?c=66900&p=irol-sec>. The 10-Q quarterly filings beginning in May 2008 contain misleading information on Ecuador.

<sup>223</sup> Document on file with plaintiffs, or accessible at <http://laws.findlaw.com/2nd/017756.html>

<sup>224</sup> Kenneth T. Derr, “Engagement—A Better Alternative” (speech to the Commonwealth Club of California, San Francisco, November 5, 1998).

<sup>225</sup> Alan Greenspan, *The Age of Turbulence: Adventures in a New World* (New York: Penguin, 2007), 463.

<sup>226</sup> Gerry Shih and Susana Montes, “Roundtable Debates Energy Issues,” *Standard Daily*, October 15, 2007.

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<sup>229</sup> “Chevron Pays Fine in Oil-For-Food Case,” *Associated Press*, November 14, 2007.

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