

## **SILVER WEDDING IN THE ECUADORIAN AMAZON**

**25 Years of impunity and destrucción**

**City Investing Company**

**(Alberta Energy Company Ltd.)**

**Alerta No. 101**

**City Investing, a Canadian owned company which has operated in the Rainforest of the Ecuadorian Amazon for more than 25 years, has been responsible for major environmental and social impacts in the areas where it explores for, and extracts oil. Ten year old oil spills have been covered over while the local people continue suffering the impacts of contaminated water. Agreements for clean ups have been left unfulfilled and dirty tricks practiced by a city operated foundation that is financed by Canadian Public Funds so that the company can continue its way uninhibited by the needs of the local community or the environment.**

### **BACKGROUND OF THE COMPANY IN ECUADOR**

City is one of the oldest private companies operating in the Ecuadorian Amazon. In 1973 together with the Cayman Company and the Southern Union Production Co., it signed a contract with the Ecuadorian government to extract oil in the 35,600 hectares of the Tarapoa block. In 1977 the latter two companies left the country and City changed its name to City Ecuadorian Production Company (CEPCO). It's present name is City Investing Company Ltd. The company's country of origin was the United Kingdom, but it was later registered in the island of Bermuda. In 1986 the company made its home in Ecuador.

In 1995, as part of the seventh round of oil concession, City was awarded bloque 27 with an area of 200,000 hectares located in the Putumayo river basin on the Colombian border and close to the Tarapoa block.

At the beginning of 1996 the company passed into Canadian hands, under the control of Pacalta Resources Ltd. In may 1999 the Alberta Energy Company, also Canadian, bought out Pacalta. It's present head office is in Canada.

Up to the present time City has produced around 30 million barrels of oil in the Tarapoa block. Its contract in this block is due to last until 2015 while that of Block 27 will run for twenty years from the date on which commercial production begins.

In 1997 Pacalta carried out 3D seismic studies which enabled it to locate five oil fields with future prospects, including some in protected areas such as the Cuyabeno Animal Reserve.

In 1999 the Alberta Energy Company (AEC) was the second largest private investor in Ecuador and has a production of 42,000 barrels per day. Of this 92.8% is low grade crude (22.5 API).

AEC invested 250 million dollars (U.S) and expects to invest 100 million more during the present year (2000). The largest share of this investment will be destined for the replacement of obsolete equipment, exploration, drilling, production, and clean up.

There are presently 17 Canadian employees and 150 permanent Ecuadorian employees, together with 250 security guards. There are numerous day workers who are paid U.S.\$ 2.50 for a 12 hour day. The result of all of this is that there is a population which is increasingly culturally uprooted and dependent in the whims of the company's labour policy and lacking future, hope and dignity.

**The company defines its presence in Ecuador as the “backbone of the company’s international reserves”**

In October 1995 the operational agreement for the joint exploitation of the fields common to City and the Ecuadorian state oil company, Petroproducción, was approved for the 18 Fanny B and a participation contract was signed between City and the Ecuadorian government. From this date City began a new phase of seismic exploration in the Tarapoa block, affecting the lands of communities living with the block.

**ENVIRONMENTAL IMPACT**

Until 1993 the whole of the Tarapoa block was located within the Cuyabeno Animal Reserve. Presently, of the total area of the block (35,600 ha.) 34,000 are located within the State Heritage Forest and the Cuyabeno Reserve itself.

**The Cuyabeno reserve is also home to the Siona, Secoya, Cofán, Quichua and Shuar indigenous communities.**

In January 1999, by means of Presidential Decree, two areas of the Amazon were declared intangible, i.e. all extractive activities are prohibited in perpetuity. One of these areas lies within the Cuyabeno Reserve, and coincides with the limits of the Tarapoa block.

The characteristics which have led to this area being defined as protected are to be found in the extremely high levels of biodiversity found there. A number of studies show that a hectare of forest in this area contains the world’s highest number of flowering plants, 400 trees, 449 shrubs, 92 different types of vines, 175 epiphytes, 96 herbs and 22 palms. Four hundred and ninety three species of birds (a national record), more than 100 types of mammals (some in danger of extinction), 473 species of fish and a large number of reptiles, amongst which are alligators and snakes such as the anaconda have also been recorded.

The environmental impacts which City has caused in the area are serious and irreversible, given that it has intervened in part of the State Heritage Forest and has turned it into one of the most deforested and polluted areas in the Northeast of the country. The indigenous people of the zone considered themselves as living in “pollution dumps”.

Until 1998 the formation water (two barrels of which are produced for every barrel of oil), and the toxic waste, have been dumped into the environment without any type of treatment. All surface and ground water is polluted. The company’s own environmental impact studies show evidence of phenols, fats and oils of diverse origins above permissible levels, and in some cases a deficiency of dissolved oxygen. The analyses carried out by the National Environmental Protection Office of the Ministry of Energy and Mines states that the concentration of hydrocarbons of some of the samples is 7,500 times higher than that permitted in water for human consumption. This water is consumed by the indigenous and peasant populations of the area.

Oil spills, due to both the overflow of pools or breaks in the highly deteriorated pipelines, have been very frequent. A large spill was recorded in 1990 in the Fanny field which polluted more than 20 hectares of a marshy area. Despite the efforts of the company to hide the damage by sowing grasses adapted to salt water, up to the present day the area is still evidently polluted.

City’s lack of respect for environmental norms was also made evident in 1996 when it entered the Cuyabeno Reserve, and Siona Ancestral territory, without authority in order to carry out seismic testing.

**SOCIAL IMPACTS**

The peasants have also suffered material losses due to damage to crops, sickness and the death of cattle and domestic animals. Due to the pollution in the area frequent sickness including birth defects and cancer has been registered. In San Jose de Tarapoa 4 cases of cancer have been recorded in a population of only 400.

The peasants showed themselves to be unhappy with the situation and signed an agreement with the company for improvements in extraction practices and for compensation for the population. The agreement turned out to be a shame as the only benefit the local people received was a medical center where they could be cured of the illnesses caused by the pollution. The promises to provide drinking water were never met.

The rehabilitation of the contaminated areas was also never carried out and the population continues to suffer the impacts. In mid 1999, when the agreement terminated, new measures had to be taken in order to pressure the company to begin remediation of the pools in the Miriam station, but the whole of the area of influence is still polluted, and the company buys the properties that it can not, or will not, clean up.

### **CANADIAN PUBLIC FUNDS FINANCING PRIVATE INTERESTS**

City/AEC states that one of its priorities is good relations with the local communities, it boasts of the creation of the Ñanpaz Foundation (financed by the Ecuadorian Canadian Development Fund – FECD) with the objective, according to the company, of “promoting sustainable development and small businesses with an emphasis on personal responsibility and environmental management”.

However, the practice is another story. The real goal is to do away with the local peasant organizations, as in the case of the Federation of Aguas Negras Campesino Organizations (FOCAN) where leaders were co-opted, while those that resisted were discredited. The foundation demobilized the whole of the population and was also accused of supporting the candidate who in 1999 won the canton elections by fraud.

In 1998 using the same techniques a number of conflicts were generated when an oil pipeline was built and peasants were paid to trick members of the community into selling their land cheaply.

In the year 2000 City/AEC is operating according to a strategy of buying contaminated land in order to avoid rehabilitating it. It is even buying land which is part of the State Heritage Forest.

(mapas bloques petroleros)

**City must be required to clean up its mess and to compensate the local people for the damage its has caused.**

**Help us and the local people in Ecuador by writing to the Company and to the Canadian Ministry of External Affairs in Ottawa demanding that the company be held responsible.**

Alberta Energy Company Ltd.  
3900 421 – 7<sup>th</sup> Ave SW  
Calgary Alberta, T2P 4K9  
Canada  
Telf: (403) 266-8111, Fax: (403) 266-8154  
Gwyn Morgan President, Dick Wilson, Director of Public Affairs

City Investing Company Ltd. (Ñanpaz Foundation)  
República de El Salvador N36-146 y Portugal,  
Edificio Prismo Norte, Apartado 17-11-4962  
Quito, Ecuador

PBX (02) 269-154, Fax: 439-381, 449-256

**The Future of the Amazon depends on the courage we have to  
defend it.**

**If oil contaminates a river, this can be rehabilitated with the passage of time,  
If a community is divided, this is irreversible.**