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Ms Cécile Réchatin
E&S policy and Stakeholder Dialogue Manager

April 06, 2016

Subject: Request to not proceed with the Punta Catalina coal power plant project in the Dominican Republic

Dear Mr Oudéa,

We are writing to you, and partner banks – Deutsche Bank, ING, Santander and UniCredit – with urgent concerns regarding the 770 megawatt coal-fired **Punta Catalina power station project and related infrastructures** currently under construction in the Dominican Republic.

In addition to the two new coal units, the project, promoted by the Dominican Corporation of State Electrical Companies (CDEEE) with estimated costs of \$2 billion, also includes the construction of a coal terminal with a capacity of 80,000 tonnes, as well as related facilities such as conveyors, cooling water systems and water treatment, and a power substation.

The Brazilian company Odebrecht is leading the construction of the coal plant, with an expected completion date of early 2017, though a variety of project-related controversies are now threatening this completion date.

Together with the other above-mentioned European banks, on 31 December 2015 Société Générale participated in the disbursement of \$200 million, the first instalment of a total amount of financing from European lenders for the Punta Catalina project expected to reach \$632.5 million¹.

There are a number of significant risks involved in this project, including:

1. Allegations of corrupt practices connected with the tendering process for the project persist, as do growing concerns about the financial burden the project could represent for taxpayers.
2. Environmental and health impacts for the local population and the associated risk of social conflict.
3. The threat posed to the climate in general and to Société Générale's credibility as a supporter of urgent climate action.

These risks are summarised in the annex to this letter.

We believe these risks should now be giving Société Générale pause to consider its continuing involvement in this project.

¹ <http://diariodigital.com.do/2016/03/31/considera-erroneas-informaciones-punta-catalina/>

In addition to these long-standing risks, we would like to highlight the most pressing issue, one which – by legal principle – must seriously put into question your institution’s continued involvement in the Punta Catalina project.

On 23 December 2015, the Dominican Republic government signed an agreement with your institution and the other European banks involved in order to receive \$200 million to pay a share of the commitments made by the CDEEE with American suppliers for building the Punta Catalina coal plant. *A copy of this agreement is attached to this letter.*

Under this agreement, the Dominican Republic pledged to return this advance in full to the named banks if, as of **31 March 2016**, the country did not receive disbursements of a related loan agreed with the National Bank for Economic and Social Development of Brazil (BNDES) to co-finance, together with the European banks, the construction of the Punta Catalina coal plant.

You should be aware that BNDES is currently unable to execute this loan as it is being investigated by the Attorney General of the Federal Republic of Brazil for its role in a corruption scandal involving Petrobras and alleged influence peddling².

Thus, if the letter of the law as laid out in the December 23 agreement is being followed, it ought to have fallen on the Dominican government to have returned already by April 1 the \$200 million provided by the group of European banks, with these institutions then being released from the commitment they made to finance the Punta Catalina project for a total of \$635 million.

We would ask you to clarify and confirm that this is an accurate legal interpretation of the terms of the agreement which your institution entered into with the Dominican Republic government on 23 December 2015, and also to state whether you have yet received monies back from the government.

We also urge Société Générale to seriously reconsider its involvement in the Punta Catalina coal plant project, and ultimately end your support for it. This, we believe, should start with the provision of a public commitment stating that your institution will not participate in the forthcoming scheduled payments for the construction of the project.

Should you have any questions regarding these issues, we would be very willing to discuss further with you, and representatives from the local group National Committee to Combat Climate Change in particular are available to clarify what has become a very dynamic situation in recent weeks owing to the contractual and legal issues surrounding the first and potentially subsequent tranches of project financing.

Given the urgency of this matter, we would appreciate a response to this letter from your institution within the next week.

Yours sincerely,



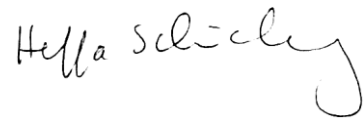
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² <http://latino.foxnews.com/latino/news/2015/10/15/brazil-lula-testifies-in-influence-peddling-probe/>



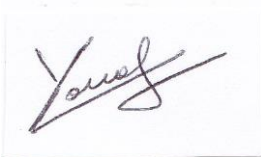
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ANNEX:

THE RISKS OF THE PUNTA CATALINA COAL POWER PLANT PROJECT

We would like to point out that due consideration of the cumulative impacts of the Punta Catalina coal-fired power plant should be made when assessing the project.

1. Corruption and financial issues

The project tender, which resulted in Odebrecht being chosen to build the plant, has been widely criticised, most recently in an article by a renowned lawyer Namphi Rodriguez in the Dominican Today newspaper³ which describes how the tender process violated the national constitution and the public procurement act.

Brazilian legal authorities are currently investigating Odebrecht's alleged corrupt practices. It is alleged that the Punta Catalina project has been overvalued by **\$1 billion** and that monies thus obtained may be used to fund the ongoing re-election campaign of Danilo Medina, the current president of the Dominican Republic. Meanwhile the Dominican Republic justice system is currently enduring a credibility crisis and extensive public scrutiny, with demonstrations demanding the resignation of all High Court judges.

Your institution should also be aware of the uncertainty and likely major obstacles surrounding BNDES financing in the medium term, owing to the existence of a dispute involving two other companies which are challenging the tender awarded to Odebrecht – and the consortium which the company heads – for the construction contract for the Punta Catalina project.

Owing to the legal and financial complications associated with the involvement of BNDES, we believe that the government may have to raise the funds by itself, thus *very likely* piling pressure on the state budget.

2. Heavy impacts on health and the environment

The entire project – which includes the building of two coal units, as well as the construction of a coal terminal with a capacity of 80,000 tonnes, related facilities such as conveyors, cooling water systems and water treatment, and a power substation – will accentuate pressure on local resources and local communities. This major project threatens the fundamental right to health and a healthy environment, especially for people living in the area near the project. Concerns about these tangible issues have been heightened due to the general lack of project information and a consequent risk assessment of the project.

Local organisations and individuals filed an injunction in the Superior Administrative Court in December 2015 to stop the construction of the Punta Catalina and Santa Catalina power plants. According to the claimants, the projects violate:

- Law 64-00 on the Environment and Natural Resources, specifically the principle of prevention and precaution in public and private management of the environment and natural resources.
- The right of neighbouring and other communities in the province of Peravia to health and a clean environment, as established by the Constitution of the Dominican Republic, articles 61, 66 and 67.

3. Pollution and climate change

The Punta Catalina coal-fired power plant project is highly inconsistent with the Paris Agreement which established global consensus on restricting, as an imperative, the global temperature rise within the 2 °C scenario – it has also set the ball rolling for further necessary and ambitious steps aiming at a 1.5 °C scenario. Following leading climate and energy scientists⁴, numerous studies are now showing that the development of all new coal infrastructure is incompatible with achieving this goal.

A report published in December 2015 by Climate Action Tracker revealed that “even with no new construction, emissions from coal-fired power generation in 2030 would still be 150% higher than what is consistent with scenarios limiting warming to below 2°C above pre-industrial levels (middle of the range).” If the total planned new coal capacity (2440 planned coal plants, equaling 1428 GW) – as

³ <http://www.dominicantoday.com/dr/local/2016/1/12/57824/Vile-process-in-power-plants-points-to-more-Dominican-govt-corruption>

⁴ Statement by leading climate and energy scientists: New unabated coal is not compatible with keeping global warming below 2°C, <http://www.europeanclimate.org/documents/nocoal2c.pdf>.

estimated by the Global Coal Plant Tracker – were to be built, it would exceed required levels by 400%⁵.

Despite growing rapidly, the retirement of coal plants is not happening quickly enough to offset new plants, as demonstrated in a new report published just last month by Greenpeace, Sierra Club and CoalSwarm.

In addition, to speed up the retirement process of coal plants, the safest and easiest measure to prevent runaway climate change is to stop planning new plants and to cancel any announced and pre-permitted coal-fired power plants, including the TJB2 project in Indonesia.

Flying in the face of a huge, widely accepted body of climate science and analysis, and based on estimates made by the World Alliance for Environmental Law, the Punta Catalina coal plant is expected to emit 6.34 million metric tons of CO2 every year, enough to increase CO2 emissions per capita by 20% in this small island already vulnerable to climate change.

In addition to CO2 emissions, local organisations and individuals claim that the Punta Catalina coal-fired power plant is expected to produce 174,000 tons of ash and 14,000 tons of slag a year as waste from the burning of coal, as well as 30 tons of nitrogen dioxide and 30 tons of sulphur dioxide per day, not to mention numerous micro-particles of heavy metals.⁶

In 2015, Société Générale announced its decision to end its financing of coal-fired power plants in high-income level countries⁷, as well as its support to all coal mine projects and to companies specialised in this area, because of its concerns about climate change. These decisions were welcomed as important first steps towards ending the bank's support for coal. However, they remain insufficient in the face of the urgency of climate change.

We believe that directly supporting the building of this new coal capacity, which will help to lock in carbon-based infrastructure for many years to come, will discredit your institution's stated position on climate change.

⁵ 'The Coal Gap: planned coal-fired power plants inconsistent with 2°C and threaten achievement of INDCs', December 1, 2015, Climate Action Tracker: http://climateactiontracker.org/assets/publications/briefing_papers/CAT_Coal_Gap_Briefing_COP21.pdf

⁶ 'Groups take Govt to court over coal plants', "Dominican Today, January 18, 2016 :

<http://www.dominicantoday.com/dr/economy/2016/1/18/57896/Groups-take-Govt-to-court-over-coal-plants>

⁷ According to World Bank classifications.