

# THE CORNER HOUSE

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Patrick Crawford  
Chief Executive  
Export Credits Guarantee Department  
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Harbour Exchange Square  
London E14 9GS

3 January 2009

Dear Mr Crawford,

## **BTC Pipeline: Resurgence of Regional Conflicts - Concerns over ECGD Due Diligence and Implications for Human Rights of Affected Communities**

Thank you for your letter of 22 December 2008 in response to my email of 23 November 2008 regarding concerns over ECGD's due diligence on conflict risks related to the BTC pipeline.

Your letter mischaracterises The Corner House's position. The starting point of our concerns over the quality of ECGD's due diligence is not the recent resurgence of conflict on the region but the multiple warnings given by NGOs and others to ECGD *prior to its decision to support the project* of the high risk that the pipeline would inflame conflict in the region. It is these warnings, the materiality of which has been born out by recent events, which provide the lens through which the quality of ECGD's due diligence should properly be addressed. The key question is whether or not the ECGD reasonably assessed the warnings it received and properly priced their attendant risks into the premiums it charged for the guarantees it provided. The evidence that is available on the public record suggests that it did not.

You state that ECGD has "no doubt that all material risks were adequately assessed prior to support for the BTC project being approved by ECGD" but you give no evidence to support this view. We would therefore be grateful if you would respond to the following information requests:

- (a) Please confirm that ECGD was aware prior to its decision to support the BTC project of the risk raised by NGOs that the BTC project would inflame conflict in the region?
- (b) Please confirm that ECGD was aware prior to its decision to support the BTC project of the risk raised by NGOs that the pipeline was at risk from attack by the PKK in Turkey?
- (c) Please confirm that ECGD was aware prior to its decision to support the BTC project of fears expressed by Georgians that Russia would seek to impose control on Georgia by force and of reports that Russia was displeased by the project?
- (d) Did the ECGD undertake an assessment of the conflict-related risks raised by NGOs prior to the decision to support the BTC project? If so, please supply the title and date of the assessment and the identity of the department or institution that undertook it.
- (e) Did the ECGD undertake an assessment of the risk that the BTC project might incite Russia to act to reassert its control over oil and gas exports from the Caspian? If so, please supply the title and date of the assessment and the identity of the department or institution that undertook it.
- (f) Did the ECGD consider any of the above conflict-related risks to be material?
- (g) Was the Underwriting Committee informed of the above conflict-related risks prior to a decision being made to support the BTC project?
- (h) Is the ECGD considering any assessment of its due diligence procedures in relation to conflict risks in the light of recent events in the South Caucasus?

Please treat the above as information requests under the Freedom of Information Act and the Environmental Information Regulations.

Due diligence is necessarily an iterative process, in which it is critically important to learn from experience. If the public is to have confidence in the quality of ECGD's due diligence procedures, it is, in our view, critically important that ECGD should be willing to engage with those who raise legitimate concerns about risks that ECGD was informed about but which it appears to have underestimated, particularly where subsequent events prove such risks to have been material. In that respect, we greatly regret that to date ECGD has failed to respond to the substantive issues raised in our letter of 26 August 2008.

Yours Sincerely

Nicholas Hildyard  
The Corner House