

Dutch Climate Coalition Statement on TotalEnergies Tilenga & EACOP Projects in Uganda and Tanzania

April 19 2023, the Netherlands – Over the course of the last year, we, a group of Dutch institutional investors representing EUR 800 billion of assets and collaborating in the Dutch Climate Coalition (DCC),¹ have had constructive dialogues with TotalEnergies regarding Tilenga and the East African Crude Oil Pipeline Project (EACOP).

By way of background, in 2006, oil was discovered in the Lake Albert Basin in Uganda. The Ugandan government then agreed to develop the resources under two upstream projects, one of them being Tilenga, which is operated by TotalEnergies. To export the oil to international markets, the invested parties formed EACOP, a cross-border buried pipeline from Kabaale in Uganda to a port in Tanga, Tanzania.

During the exploration phase, many stakeholders raised concerns about the economic benefits and alleged human rights violations surrounding these two projects. They also shared their fears that the development and production phases will cause further harm if no immediate action is taken. As concerned responsible investors in the company we want to work to ensure these concerns do not materialize and have conducted a thorough review of third-party documentation, ultimately calling on TotalEnergies to explain their plans to mitigate the project's potential negative impacts.

The company has demonstrated a willingness to discuss project-related activities, answering many of our questions and providing reference materials. Our dialogues have centered on a range of topics pertaining to Tilenga & EACOP, including climate, human rights and remediation, and impact on biodiversity of the projects. While we appreciate the efforts made by the company to address our concerns, we nevertheless continue to question the long term value created by these projects in light of potential negative impacts. DCC has now enlisted the support of subject-matter and local experts to provide their views of the current situation with the hope of supporting our best-informed investment decisions based on the company's management of concerns related to the Tilenga and EACOP projects

Together with these experts, we will review the project under three main topics:

1) Climate

DCC has unequivocally committed to the Paris Agreement and to limiting global warming to 1.5°C. Although we expect Paris alignment from all our investee companies, we believe the oil and gas sector has an elevated role in making a just energy transition possible. Furthermore, the International Energy Agency's (IEA) NZE scenario requires a significant reduction of the proportion of oil in the global energy mix by 2050.² As a result, energy companies need to re-evaluate their capital allocation.

To that effect, we will review **Tilenga & EACOP projects' impact on the company's decarbonisation strategy and Paris alignment**. To safeguard the long-term value of the funds we manage on behalf of our clients, we will also look at **the physical and transition climate risks**.

2) Biodiversity

DCC members are committed to preserving biodiversity and we expect the same from our investee companies. Oil production from Tilenga in the Lake Albert basin and development of the 1,443 km EACOP pipeline are potential threats to biodiversity and the rare and endangered species in the Murchison Falls National Park and other affected regions in Uganda and Tanzania.

Therefore, we will examine the projects' **impact on protected wildlife habitats** and **Total's claim to deliver a positive net impact on biodiversity** in the context of the Tilenga project.

¹ The Dutch Climate Coalition also includes investors which do not have investments in TotalEnergies.

² IEA (2022). **An updated roadmap to Net Zero Emissions by 2050** Available at: <https://www.iea.org/reports/world-energy-outlook-2022/an-updated-roadmap-to-net-zero-emissions-by-2050>

3) Socio-economic impact

As responsible investors, we adhere to the UN Declaration on Human Rights, the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights, and expect our investee companies to do the same. Investors forming part of the DCC have maintained dialogue with TotalEnergies to voice this expectation and express our concerns. We have, in parallel, maintained dialogue with civil society organisations who have continued to voice issues surrounding the violation of human rights and the absence of well-communicated and adequately-implemented grievance mechanisms by TotalEnergies.

Hence, we will evaluate the **implementation of appropriate grievance mechanisms**, including monitoring systems for continued evaluation of human rights risk exposures; **adherence to Free, Prior & Informed Consent (FPIC)** and the eight IFC performance standards; and consider the **long term socioeconomic value** created by the projects on areas such as local capacity building, job creation and living wages.

Next Steps

We will start to review the three topics with industry experts in Q2 2023 and expect to publish a follow-up statement during Q3 2023. The follow-up statement will contain our conclusions and requests to TotalEnergies with regards to these two projects.

Following this phase, DCC members will discuss whether we see a realistic change potential, and decide whether we will continue to engage with TotalEnergies on Tilenga & EACOP collaboratively or independently, or defer to our individual escalation strategies.

As investors, we acknowledge the material steps taken by TotalEnergies in implementing an energy transition strategy and want to ensure the Tilenga & EACOP projects do not affect the company's decarbonisation journey or long-term economic prospects. Like all other oil and gas companies, we are here to support and guide TotalEnergies as it makes its contribution to a global green and just future. It is an essential part of our stewardship duty and of grave importance to us and the clients we represent.



The Dutch Climate Coalition

The Dutch Climate Coalition (DCC) is a group of Dutch institutional investors with combined assets under management of EUR 1.6 trillion that support the objectives of the investor collaboration network of the Institutional Investors Group on Climate Change (IIGCC) and the Climate Action 100+ (CA100+) engagement initiative. These objectives include corporate commitments to reducing greenhouse gas emissions across the value chain consistent with the Paris Goals, a strong governance framework with oversight of climate change risk, and enhanced corporate disclosure in line with the Task Force on Climate-related Financial Disclosure (TCFD) recommendations. We initially formed this group to encourage the oil and gas value chain with the greatest level of ambition and urgency possible to implement transitions aligned with a 1.5°C warming pathway. Soon, our focus may extend to companies that are significant consumers of fossil fuels. For selected cases where we see significant risks, our engagements can extend to a wider range of ESG topics.