



The Kalamazoo River oil spill occurred in July 2010 when a pipeline operated by Enbridge burst and flowed into Talmadge Creek, a tributary of the Kalamazoo River. A 6-foot break in the pipeline resulted in one of the largest inland oil spills in U.S. history.

PHOTO: USEPA

WHO'S BANKING LINE 3 AND KEYSTONE XL: TAR SANDS PIPELINES BEING RAMMED THROUGH IN A PANDEMIC

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INTRODUCTION: Two Tests on Indigenous Rights, Environment and Climate

In October 2020, forty Indigenous women leaders wrote to more than seventy CEOs of banks and other financial institutions calling on them to end support for the expansion of the tar sands oil industry via pipeline financing, in light of its Indigenous rights, environmental, and climate impacts.¹

Now, during a global pandemic that is entering its deadliest phase, and the final weeks of the Trump presidency, two massive tar sands pipeline projects are being rammed through: Enbridge's Line 3 and TC Energy's Keystone XL. Both pipelines will force global banks to make clear choices in the coming weeks and months:

- **Enbridge** secured final permits for **Line 3** from Minnesota and the federal government in November 2020. Official construction commenced in December 2020, despite COVID risks and regardless of outstanding legal challenges and sustained Indigenous-led opposition to the project. Without any project finance associated with the pipeline construction, the banks providing Enbridge's general corporate financing are the supporters of this destructive project. Will they step away from this high-risk project by not renewing any of Enbridge's \$12.87 billion in credit facilities when they come to maturity, with an initial opportunity to cut ties coming as soon as March 2021?²
- **TC Energy** is in the process of securing a \$4.2 billion project loan to finance construction of Keystone XL beginning in January 2021,³ ahead of the inauguration of a new U.S. presidential administration that has promised to veto the pipeline.⁴ Which banks will join the project loan syndicate, despite the strong political winds against it? Will TC Energy's current bankers endorse ramming through Keystone XL?

This briefing outlines the impacts of these projects and details bank support for the companies behind them. At upcoming decision points these banks will decide whether they will sink their money into potential stranded assets, support infrastructure that will ignite a carbon bomb, back projects that will lead to severe reputational risk akin to the Dakota Access Pipeline, and endorse a disregard for Indigenous rights — or cut ties with these projects.

TAR SANDS Overview

The tar sands (also known as oil sands) of Alberta, Canada are infamously dirty oil reserves, whose resource-intensive extraction and transportation threatens the climate and ecosystems, pollutes local communities, and violates Indigenous rights. Canadian tar sands emit about 31% more greenhouse gases over their entire life cycle than the average North American crude.⁵

In particular before the COVID-19 pandemic, tar sands production has been restricted by a pipeline bottleneck, which means that the future of increased tar sands extraction depends on three proposed pipelines: Enbridge's Line 3, TC Energy's Keystone XL, and the Canadian government's Trans Mountain.⁶ Investment in tar sands infrastructure now threatens to lock in production for decades, at a time when the sector should be in a managed decline on a path to a zero-carbon economy.

LINE 3 Overview

Enbridge Inc., a Canadian energy infrastructure company operating across North America, has been pushing to replace its existing Line 3 pipeline with a larger pipe that would carry 760,000 barrels of tar sands oil per day from Edmonton, Alberta, through Minnesota, to Superior, Wisconsin.⁷ Instead of safely decommissioning the existing Line 3, Enbridge wants to abandon it in the ground and build an entirely new \$7 billion pipeline.⁸ Though the company refers to it as just a replacement project, it is no minor replacement of an existing pipeline — it is the largest project proposed in Enbridge's history.⁹

Despite fierce opposition, construction is complete in Wisconsin and Canada.¹⁰ The Minnesota stretch of the pipeline is all that remains to be built. In November 2020, the Minnesota Pollution Control Agency approved the final permits for the pipeline.¹¹ Construction on this section of the pipeline has begun as of December 2020.¹²

Enbridge is also facing ongoing legal challenges, grassroots resistance, and opposition from impacted Tribal Nations due to the health and safety, environmental, climate, and Indigenous rights risks associated with the project.



PHOTO: March on Enbridge

The Risks of **LINE 3**



Climate:

The construction of Line 3 would be catastrophic for the climate. It is estimated that the proposed project would add 193 million tons of greenhouse gases to the atmosphere annually, which would have the equivalent impact of yearly emissions from 50 new coal-fired power plants or 38 million additional vehicles on the road.¹³

Spills:

The existing Line 3 pipeline has had numerous ruptures and spills since it was built in 1961 and is currently operating at reduced pressure due to severe corrosion.¹⁴ The expanded Line 3 seeks to cut a new energy corridor through lakes, untouched wetlands, treaty-protected wild rice beds, and the heart of Ojibwe territory.¹⁵

Indigenous rights:

This project violates the treaty rights of the Anishinaabeg by endangering critical natural and cultural resources in the 1842, 1854, and 1855 treaty areas.¹⁶ The Red Lake Band of Chippewa and White Earth Band of Ojibwe have been steadfast in their opposition to the project and are currently engaged in ongoing legal challenges.¹⁷ Projects like Line 3 are also linked to violence against and trafficking of Native American women due to the installation in rural areas of temporary housing facilities for mostly male construction workers, known as “man camps.”¹⁸

Construction during a pandemic:

In the midst of a pandemic, the construction of Line 3 raises serious public health and safety concerns. In November 2020, cases of COVID-19 reached record levels in Minnesota, as did virus-related hospitalizations.¹⁹ Tribal leaders and residents in northern Minnesota have warned that a mass influx of workers could spread COVID-19 in rural areas that lack adequate medical infrastructure to handle a surge in cases.²⁰

Legal:

Enbridge has begun construction in Minnesota while the overall legality of the pipeline is being contested in the courts. With multiple pending lawsuits, the legal challenges are not expected to be resolved until spring 2021:

- In 2017, the Minnesota Department of Commerce found that “Enbridge has not established a need for the proposed project in Minnesota” and concluded that Minnesota would benefit from Enbridge ceasing operations of the existing Line 3 altogether.²¹ As the project progressed, in 2020 the Minnesota Department of Commerce brought a suit challenging its fellow state agency, the Minnesota Public Utilities Commission (PUC), over the PUC’s claim that the project is needed.²²
- In May 2020, the Red Lake Band of Chippewa, White Earth Band of Ojibwe, Honor the Earth, Youth Climate Interveners, Friends of the Headwaters, and the Sierra Club also challenged the Minnesota PUC’s approval of the Final Environmental Impact Statement, Routing Permit, and Certificate of Need for the pipeline.²³

Reputational:

Line 3 has faced sustained Indigenous-led opposition for many years. Following the recent permit decisions, Indigenous leaders and climate advocates across Minnesota and nationally have reiterated their commitment to fight the project.²⁴ At resistance camps along the route, Indigenous water protectors and allies are pledging to continue engaging in direct action to halt construction activities. Across Minnesota, political leaders are under immense pressure to intervene to stop the project,²⁵ and President-elect Biden is also facing demands for his administration to review federal permits for Line 3.²⁶



Who's Banking **LINE 3?**

While Enbridge continues to push the project forward, other actors are supporting the pipeline behind the scenes: big banks.

Enbridge has billions of dollars in loans provided by dozens of big banks that it can use for its “general corporate purposes.” These credit facilities provide Enbridge with crucial liquidity, including for the funds which regulators require pipeline companies to have on hand in the event of an oil spill.²⁷

RANK	BANK	COUNTRY	FOSSIL FINANCING FOR ENBRIDGE (2016 through Sept. 30, 2020)	PARTICIPATION IN RELEVANT CURRENTLY ACTIVE LOANS (out of 7) AND BONDS ISSUED IN 2020 (out of 3)
1	TD	Canada	\$13.59 B	Lead bank on 5 loans totalling \$9.45 B, maturing in 2021, 2022, and 2024. Lead agent on 3 of these loans. Underwriter of 1 bond issuance.
2	Bank of Montreal	Canada	\$10.06 B	Lead bank on 2 loans totalling \$4.05 B, maturing in 2021 and 2024, and participant in 2 others. Lead underwriter of 1 bond issuance.
3	Scotiabank	Canada	\$9.84 B	Lead bank on 3 loans totalling \$6.34 B, maturing in 2021 and 2024, and participant in 1 other. Lead agent on 1 of these loans. Lead underwriter of 1 bond issuance.
4	RBC	Canada	\$7.98 B	Lead bank on 4 loans totalling \$6.98 B, maturing in 2021, 2022, and 2024, and participant in 1 other. Underwriter of 1 bond issuance.
5	CIBC	Canada	\$6.98 B	Lead bank on 2 loans totalling \$4.36 B, maturing in 2021 and 2024, and participant in 3 others. Lead underwriter of 1 bond issuance.
6	Citi	U.S.	\$5.15 B	Lead bank on 1 loan totalling \$1.87 B, maturing in 2021, and participant in 5 others. Lead underwriter of 1 bond issuance.
7	Wells Fargo	U.S.	\$3.86 B	Lead bank and lead agent on 1 loan totalling \$1.80 B, maturing in 2021, and participant in 2 others. Underwriter of 1 bond issuance.
8	Bank of America	U.S.	\$3.16 B	Lead bank on 2 loans totalling \$2.62 B, maturing in 2022, and participant in 4 others. Lead agent on 1 of these loans. Lead underwriter of 1 bond issuance and underwriter of 2 bond issuances.
9	MUFG	Japan	\$2.68 B	Lead bank on 1 loan totalling \$1.80 B, maturing in 2021, and participant in 5 others. Lead underwriter of 1 bond issuance.
10	National Bank of Canada	Canada	\$2.67 B	Lead bank on 1 loan totalling \$2.22 B, maturing in 2021. Underwriter of 1 bond issuance.



B = Billion USD **M** = Million USD

Enbridge has not sought project-specific financing for the Line 3 pipeline; its banks are facilitating other ways to access the money needed to build the project. Big banks have facilitated Enbridge's efforts to raise funds by selling off unwanted parts of its business — including some of its renewable energy assets²⁸ — and by issuing new bonds, which banks buy from the company and then resell to investors.²⁹

From underwriting, to advising, to lending, the Line 3 tar sands pipeline would not happen without the support of Enbridge's banks. "Without the direct financing and services provided by its bankers, Enbridge would have little choice but to abandon its plans to expand the Line 3 pipeline," according to Sightline Institute.³⁰

Enbridge and its relevant subsidiaries have seven active credit facilities as of November 2020, totaling \$12.87 billion.³¹ Additionally, Enbridge and its relevant subsidiaries have issued three bonds in 2020, totaling \$2.14 billion.³² Without project-specific financing for Line 3, these banks behind Enbridge are the banks funding the pipeline.

RANK	BANK	COUNTRY	FOSSIL FINANCING FOR ENBRIDGE (2016 through Sept. 30, 2020)	PARTICIPATION IN RELEVANT CURRENTLY ACTIVE LOANS (out of 7) AND BONDS ISSUED IN 2020 (out of 3)
11	JPMorgan Chase	U.S.	\$1.80 B	Participant in 4 loans. Lead underwriter of 2 bond issuances.
12	Mizuho	Japan	\$1.73 B	Lead bank on 2 loans totalling \$2.62 B, maturing in 2022, and participant in 4 others. Lead agent on 1 of these loans. Lead underwriter of 1 bond issuance.
13	Deutsche Bank	Germany	\$1.53 B	Participant in 5 loans. Underwriter of 2 bond issuances.
14	Barclays	U.K.	\$1.32 B	Participant in 3 loans. Lead underwriter of 1 bond issuance.
15	BNP Paribas	France	\$1.32 B	None.
16	SMBC Group	Japan	\$1.18 B	Lead bank on 1 loan totalling \$1.00 B, maturing in 2022, and participant in 4 others. Lead underwriter of 1 bond issuance.
17	Credit Suisse	Switzerland	\$1.15 B	Participant in 3 loans. Lead underwriter of 1 bond issuance.
18	Crédit Agricole	France	\$902 M	Participant in 3 loans. Underwriter of 1 bond issuance.
19	HSBC	U.K.	\$410 M	Participant in 3 loans. Underwriter of 2 bond issuances.
20	Truist Financial	U.S.	\$400 M	Participant in 1 loan.



B = Billion USD **M** = Million USD

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