Wednesday 18th May, 2016

Mr. Jean-Michel Mépuis
Société Générale Group Sustainable Development and CSR Director

Dear Mr. Mépuis,

We are grateful for your letter of the 26th April 2016 in response to ours of 6th April. We hope that the exchange opened by your letter will help clarify the situation regarding the **Punta Catalina project in Peravia, the Dominican Republic**, and help guide your institution in determining whether or not it is appropriate to continue Société Générale's financing of the project.

Below we lay out information relevant to each of the points raised in your correspondence and, on your consideration of this information, we would be happy to discuss these ongoing issues directly with you and your colleagues who are engaged in monitoring of the Punta Catalina project.

1. Punta Catalina is a project under serious suspicion of corruption.

The tender which awarded the contract for this project to the company Odebrecht is currently being challenged before the Dominican tribunal court by the consortium comprising IMPE S.R.L and Gezhouba Company Limited, which also took part in the tender process. The Supreme Court of Justice was presented with the case on 30th March 2016, and reserved judgment on the appeal submitted by the above companies against sentence No. 055-15 (of the 28th of April 2015 by the Superior Administrative Tribunal), declaring that the demand by the consortium against the result of the tender by the Dominican Corporation of State Electrical Companies (CDEEE, the project promoter), who awarded the contract to Odebrecht, was inadmissible.

The contract was awarded to Odebrecht, despite the fact that the tender was more than double the tender submitted by the consortium. The budget overestimates approximately one billion dollars for the construction, both in relation to the proposals from the other companies who competed in the tender, as well as in respect to the standard international cost of the construction of coal-fired plants with conventional (subcritical) technology that does not exceed two million dollars per megawatt.

Odebrecht is being investigated by the Brazilian judicial system for using mechanisms to overvalue construction projects, in which bribes were paid to officials to concede contracts both in Brazil as well as Venezuela, El Salvador, Panama, Peru, the Dominican Republic and Angola. On the 8th of March this year, Marcelo Odebrecht, until recently the president of this company, was found guilty of this in the case of PETROBRAS, and sentenced to 19 years and four months in prison[1].

Currently Joao Santana and his wife are on trial in Brazil for being the intermediaries through which Odebrecht illegally paid money to Brazilian officials and the governments of various countries, which in turn was deployed in electoral campaigns, specifically to Venezuela and Angola in 2011, and to Panama in 2014.

Mr. Santana, a close collaborator of Odebrecht, was the principal advisor for the Dominican Republic's president Danilo Medina's electoral campaign in 2012 and for the current campaign for his intended re-election until the 22nd of February this year, when he had to give notice in order to respond to charges in Brazil[2]. The investigation has barely begun around this corrupt intrigue in which Odebrecht is alleged to have paid bribes and conceded advice to electoral campaigns in return for contracts in Brazil and other Latin American countries, including the Dominican Republic, and in Africa.

On the 10th of May 2016, the American daily *El Nuevo Herald* published a full report entitled 'Corruption and Favoritism in the Odebrecht Project in the Dominican Republic' in which it denounces that the Dominican Republic president, Danilo Medina, had intervened in favour of Odebrecht in the tender which awarded the construction contract for coal fired power stations at Punta Catalina, guaranteeing double the sum of the budget proposals presented by other participating companies[3].

The same media report cites a cable sent by the Brazilian Ambassador to the Dominican Republic which states that: "The decision of CDEEE announced by the Executive Vice President, Rubén Bichara, involves expectations of interests of, among others, the Brazilian companies Norberto Odebrecht and Andrade Gutiérrez, [...] would correspond to the directions emitted by the elected president, Danilo Medina, during his visit to Brazil last July".

2. The National Development Strategy, Law No. 01-12, January 2012, established the removal of coal fired power from the national economy.

In the Dominican Republic norms for the use of coal do not exist, because the current law, in hierarchy only second to the Constitution of the Republic, in Article 67, fourth paragraph, prohibits its use and demands the dismantling of existing coal power stations[4].

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[1] 'Brasil: condenan a 19 anos de carcel a Marcelo Odebrecht, expresidente de la mayor constructora de America Latina', BBC Mundo, 8 March 2016, http://www.bbc.com/mundo/noticias/2016/03/160308_brasil_marcelo_odebrecht_condena_corrupcion_petrobras_ab

[2] 'Publicista renuncia a campana de Danilo Medina para enfrentar acusaciones', 7dias.com, 22 February 2016, http://www.7dias.com.do/portada/2016/02/22/i205799_publicista-renuncia-campana-danilo-medina-para-enfrentar-acusaciones.html#.VzxRAZF9601

[3] 'Corrupcion y favoritismo en proyecto de Odebrecht en Dominicana', el Nuevo Herald, 10 May 2016, http://www.elnuevoherald.com/noticias/mundo/america-latina/article76808182.html

[4] See: http://www.omg.com.do/files/Uploads/Documents/Ley%20No.%201-12,%20Que%20establece%20la%20Estrategia%20Nacional%20de%20Desarrollo%202030.pdf

The recent statements made by CDEEE, the lead company responsible for the construction of the coal-fired power stations at Punta Catalina, concerning equipment capable of reducing acid gas and micro particle emissions by more than 95% in this thermal electric plant, do not correspond with the specifications indicated in the environmental impact study carried out by the companies G&S Natural Groups and Paredes Consultores Ambientales S.R.L, paid for by CDEEE and lodged with the Ministry of Environment and Natural Resources on the 29th of July 2014.

This environmental impact study specifies that the desulphurization of gases (FGD) will be "dry sprinkle and "humid bed"" (CBF) which is less effective than the SWFGD system that uses seawater, and, as such, is far from obtaining the stated results. Even within the parameters considered in the environmental impact study, these plants will emit 30 tons of nitrogen dioxide and 30 tons of sulphur dioxide annually.

3. Punta Catalina risks provoking an environmental catastrophe that threatens more than 100,000 people who live in the area.

Apart from the primary and secondary acid gases and micro particles (MP2.5) the plants will emit as soon as they begin operations, the health of the population and the environment will be affected each year by 174,140.07 tons of ash and 14,155.26 tons of slag. This type of pollution is well-documented for aggravating and causing respiratory diseases from asthma to lung cancer, strokes and heart attacks, especially in children, pregnant women and the elderly. This impact will be made all the worse by the central location of the thermal electric plant and by the predominant wind direction which will carry the pollution across the most densely populated areas as well as the largest area of land under cultivation.

In a perimeter of less than 30 kilometers, according to the National Statistical Office (ONE), live more than 100,000 people who will be affected by the pollution. This area includes the communities of Catalina, with 3,436 inhabitants, and Nizao, with 13,240 habitants, which are situated less than two kilometers from the plants; also Paya, with 14,133 habitants, is situated less than four kilometers away as well as the market town of Baní, with around 74,584 habitants, which is located some 26 kilometers from where the project is located.

Precedents exist in the Dominican Republic for damage caused by coal ash. Between 2003 and 2004, coal or rock ash brought from Puerto Rico by the company AES was deposited in Arroyo Barril in Samaná and in Manzanillo in Montecristi. The Dominican government received six million dollars from the company as compensation and the official who authorized the deposit received a punishment of six months in jail and a fine of 10,000 minimum monthly salaries. Recently, AES promised a Delaware tribunal in the United States to indemnify the families of Arroyo Barril with 29 million dollars in damages caused by the ash[5].

[5] 'AES transa multimillionara demanda por danos', Centro de Periodismo Investigativo, 5 April 2016, http://periodismoinvestigativo.com/2016/04/aes-transa-multimillonaria-demanda-por-danos/

A study realized in February 2016 by the Global Alliance for Environmental Rights, Alianza Mundial de Derecho Ambiental (ELAW)[6], which focused on the technical and economic viability of changing the Punta Catalina project from coal to natural gas, quantified that the health costs resulting from just the micro particles from the proposed coal plants will rise to between 14 and 31 million dollars annually, to say nothing of the premature deaths and permanent adverse effects on health that these would produce.

4. Punta Catalina will increase the CO2 emissions of the Dominican Republic by more than 20%.

These coal fired power stations, which are expected to begin operations in 2017 and that will have a functional life of 35 to 40 years, will, according to the study (cited above) carried out by the Global Alliance for Environmental Law pollute the atmosphere with 6.34 million tons of carbon dioxide annually.

Such an increase of the national carbon footprint, brought about by the emissions of these plants, will prevent the fulfillment of the agreement made by the president of the Dominican Republic, Danilo Medina, at the Paris climate summit France last December, where he pledged to reduce emissions by 25% by 2030. This is of crucial importance for the Dominican Republic which occupies eighth place in the list of the ten most vulnerable countries to climate change.

5. In an indirect way, the National Bank for the Economic and Social Development of Brazil (BNDES) is being prevented from paying out the 656 million dollars to co-finance the Punta Catalina project.

The investigations which the Brazilian courts are carrying out against Odebrecht are also relevant to the loans given by BNDES to this corporation for local and international projects. In the case of the financing of the coal plants in Punta Catalina, BNDES is directly accused of influence trafficking. Also, given the unstable situation in Brazil with the imminent government change, it is impossible to predict a probable date for the payment of this loan.

The delay of this financing has lead the Dominican government to invest in the Punta Catalina project itself, using savings obtained by the reduction of international petroleum prices, instead of utilizing these to bring down electricity costs. The ongoing delay of the BNDES financing will further force the government to turn to national or international debt to avoid stopping the construction of these coal plants, leading to a heavier burden on the population.

With the objective of covering the lack of co-financing from BNDES, which now seems like it will never materialize, the Dominican government is stooping to perform an action of questionable legality that will increase internal debt and will further penalize taxpayers.

The *Diario Libre*, a daily newspaper with one of the highest circulations in the country, reported on the 13th of May, in an article entitled "Pension Funds for the Electrical Sector", that the Superintendent of Pensions authorized the movement

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[6] See: https://www.elaw.org/es/node/11909 and ELAW report (February 2016, in Spanish) available on request

of 600 million dollars from the state pension fund to the electrical sector, via a private bonds agency, to be used, in the most part, to finance the construction of Punta Catalina[7].

Thus it would appear that a project that was conceived and planned originally under the model of “key in hand”, without the need of any public financing, will end up being financed in great part by the Dominican state, as an expense to the national budget and reliant on a larger fiscal sacrifice by taxpayers, principally workers and the poorest sectors of the population.

6. Punta Catalina will obstruct the introduction of renewable energies, thus prolonging the Dominican Republic’s dependency on imported fossil fuels.

With the construction of the plants in Punta Catalina, coal will progress from covering the current 14% of electricity demand to 40%, which will impede the necessary large uptake of renewable energy in the Dominican Republic over the next 35 years. As was documented in detail in a report by the Worldwatch Institute of Washington regarding a study that was carried out by the Ministry of Energy and Mines, electricity generation from coal is not compatible with renewable energy of variable natures, as it is slow to start up and to extinguish.[8]

It is absurd that, on an island where no coal mines exist, a proposal is being made to substitute the import of petrol with this resource, rather than using the abundant renewable resources available, such as sun, wind, and water.

According to the study by Worldwatch Institute previously cited, the Dominican Republic has the ability to cover, by 2030, 85% of electricity demand via renewable resources, with less investment, with a reduction of 40% in the price of electricity, drastically reducing carbon dioxide emissions, and liberating the Dominican economy from importing fossil fuels, which in 2013 represented 7.3% of GDP.

We categorically deny that the project in Punta Catalina will solve the electrical generation deficit, as CDEEE affirms and as is repeated in the the Sociéte Genérale letter. The frequent power cuts in electrical service are due to technical and non-technical losses that affect 32% of the electricity serviced, and not to a supposed deficit of generation.

In the Dominican Republic there exists an excess of 1,135 megawatts in the existing installed generation capacity, as the average demand covered is 2,100 MW, while the total generation capacity installed stands at 3,235 MW. This information can be found in the data showing the total electrical demand covered and real availability of the national electricity generating system, dated the 9th of May, 2016, and offered by the Dominican Association of Electrical Industry (ADIE) on its website: www.adie.org.do/documents/Estadisticas.

[7] ‘Fondos de pensiones para el sector eléctrico por US$600 MM’, DiarioLibre, 13 May 2016, http://www.diariolibre.com/economia/fondos-de-pensiones-para-el-sector-electrico-por-us-600-mm-LE3655629

[8] Roadmap for Sustainable Energy System, Harnessing Sustainable Energy Resources of the Dominican Republic, Worldwatch Institute, Washington, D.C., July 2015.

Based on the information and arguments above, but also taking into account your stated intention to be on the right side of dealing with the global climate crisis, as evidenced by the adoption of your latest coal policy, we reiterate our appeal to Société Genéralé as well as to other relevant European banks which are currently co-financing the construction of the coal plants in Punta Catalina: **to halt this financing of a financially corrupt, potentially highly polluting, and carbon-intensive project.**

It is also now becoming clear that the construction costs will directly penalize the population with a heavier tax burden due to the lack of co-financing from BNDES, and that this will, in turn, impede the introduction of renewable energies and the vital reduction of dependency on imported petrol in the Dominican Republic.

In short, European banks' continued involvement in this project can only entail reduced sustainable development for the Dominican Republic in the years to come.

Yours sincerely,

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