

Public Eye reply to Trafigura response to the Dirty Diesel report

Trafigura Q and A concerning Public Eye report on fuel quality in Africa:

Q. Public Eye accuses Swiss-based commodities trading firms and their downstream partners of “dumping” low-quality fuels with high levels of sulphur and other toxic ingredients in African countries. How does Trafigura respond to this claim?

A. This assertion is not correct. Fuel quality standards are a matter for national governments, which tightly regulate fuel prices as well as content. Trafigura supplies fuel that meets national quality specifications in all the markets where it operates.

Public Eye: The Dirty Diesel report stresses that our analysis of the fuels indicates that most deliveries meet national specifications. But given that, in the countries covered, the legal sulphur levels are very high and limits for other toxic substances such as benzene or polycyclic aromatic hydrocarbons are missing altogether, the use of such fuels seriously damages people's health. Trafigura and the other companies involved are not responsible for weak national specifications, but they systematically exploit those standards for the sake of maximizing profits. Only the governments can strengthen legal fuel standards which is why we are working with partner organizations in Africa to achieve exactly that. However, the UN Guiding Principles on Business and Human Rights state clearly that the responsibility of corporations does not end with respecting the law if people are harmed. Therefore, if the legislation of a given country is not sufficient to protect human rights, which includes the right to health, companies must go beyond the law. That is why Trafigura and others urgently need to take the lead in supplying European quality fuels to the African markets they are active in.

Q. Do trading companies and fuel distributors have an interest in keeping quality standards in Africa low to maximize profits?

A. Absolutely not. It is the role of a trading company to provide supplies that meet the required quality specifications as reliably and efficiently as possible. It is not possible for individual companies delivering fuel to markets unilaterally to vary quality standards.

Public Eye: Clearly, trading companies and other fuel distributors profit from weak specifications because it allows them to blend cheap blendstocks into “African Quality” fuels that would otherwise have to be further treated. We have documented how bulk distributing companies in Ghana that have close commercial ties to Swiss trading companies lobbied against the lowering of the standards from 5000ppm to 3000ppm.

We don't see any reasons why it should not be possible for a company producing (by blending) and shipping fuels to Africa to deliver higher quality than the national specification.

Q. Given the findings of this report, will Trafigura change its supply strategy and supply cleaner fuels to African countries?

A. Trafigura's business is built on supplying its customers with commodities they need to the specifications set by national regulatory authorities. Africa depends on imports for more than 50 percent of its supplies of gasoline, diesel and kerosene, so traders play a vital role in supporting economic growth in the region. As the African Refiners Association (ARA) has pointed out, if Swiss suppliers were to follow the recommendations of Public Eye's report, their role would be filled by traders from other countries who would supply fuel required to meet the official specification. In consequence nothing would change on the ground.

Public Eye: Trafigura seems to believe in a race to the bottom where even more aggressive traders would take over their business. We have a different view. We believe that now is the time for the public and the industry to realize that also African countries and African lungs must benefit from recent innovations in

the refining industry. Cleaner fuels already exist. We are not asking Swiss traders to quit the African fuel business but to be the first ones to act responsibly and supply European quality fuels. No African government would refuse to get better quality.

Q. Given the proven health damage from pollution in African countries, can nothing be done to improve fuel quality?

A. Poor air quality in African cities is a serious issue which demands action by governments. But achieving change is a complex challenge and needs time. It is worth noting that Europe had standards similar to those in Africa today until the early 1990s. It took European countries 25 years to arrive at their current low-sulphur standards for fuel, and the effort involved significant investment in upgrading the region's infrastructure and the closure of numerous refineries.

Public Eye: We fully agree that upgrading African refineries is necessary and that international donors and others urgently need to bring about the necessary investments. Precisely because Europe (and the US and others) upgraded their infrastructure long ago, there is no supply bottleneck to improve the quality of imports immediately. Africa depends for more than 50 percent on imports already and this share is growing in the future. This alone would improve the air quality considerably. Given the urgency of the problem and the prospect that the African urban population will triple by 2050, we need change now. African people cannot wait another 25 years; their governments must improve fuel standards now, starting with strict import standards where a refinery upgrade is not possible in the near future .

Q. What is Trafigura doing to address the issue?

A. Trafigura supports the work of the ARA, of which it is a member, to improve fuel quality. There has been some progress. For example, African countries have largely eliminated lead from petrol in the last 10 years. As the report acknowledges, a number of East African countries have recently moved to lower sulphur content. Public Eye's research is focused on West Africa but inexplicably fails to mention the efforts also underway to improve fuel specifications in the countries of the Economic Community of West African States (ECOWAS). Working with the United Nations Environment Programme and the World Bank, the ARA has established a clear road map to raise fuel quality across Africa in coming years.

Public Eye: It would be interesting to know specifically how Trafigura "supports" the work of ARA while being a "Silver Sponsor" of that very association whose activities are not limited to fuel standards. We are not aware of any contribution by Trafigura to the issue of fuel quality in Africa. Through our research, we are very well aware of Trafigura's contribution to air pollution across the continent. Regarding the elimination of lead, Trafigura, sadly, fails to mention that they are currently using a lead replacement for their African fuels which is based on the heavy metal manganese, a neurotoxin. The use of this additive is highly controversial and therefore banned in several regions of the world, however, not in Africa. This example underlines that there are serious topics that Trafigura needs to address urgently.

While we are asking Trafigura to move immediately by only delivering and selling European quality fuels to Africa, we are hopeful that the public attention on the issue of health effects of bad quality fuels will contribute to achieving a more ambitious roadmap. The UNEP Ministerial meeting to be held in Nigeria in November 2016 is an important opportunity for West African countries to require imports in their countries to be of European quality.

Q. Why is progress in improving fuel standards in Africa so slow?

A. One of the challenges is the need to upgrade African refineries, which typically produce diesel fuel with sulphur levels up to 3000 ppm. Reducing sulphur levels would require very substantial investments by state-owned refiners that would likely render the industry unviable. As the ARA points out, "when faced with a choice between implementing lower specifications and closing a large employer, governments have, to date, chosen to maintain fuel quality at current levels".

Public Eye: African refineries produce less than half of the continent's fuel supply and many countries don't even have refineries. While the financing of refinery upgrades needs to be solved urgently, the lack

of financing doesn't stand in the way of improving import standards now. An important reason why fuel standards are improving slowly is a lack of awareness of the major health problems associated with fuels and the solutions available. Our Dirty Diesel report and the work of our partner organizations in Africa is aimed at raising awareness among civil society and governments on air pollution caused by toxic fuels. Moreover, we hope regulators will realize that solutions, especially for the fuels they import, are readily available. They will get what they ask for. To put it in the words of Jane Akumu from UNEP: "Regulators, you need to be on top of your standards. Otherwise any product that doesn't meet the specifications in other countries will end up in yours".

Q. According to Trafigura's 2015 Responsibility Report, the company supports the UN Guiding Principles on Business and Human Rights. How does supplying harmful fuels to Africa sit with that commitment?

A. We are fulfilling this commitment. The UNGPs require companies to assess direct and indirect human rights impacts from their activities. Where the impact is indirect, as in this case, we have a duty to exercise leverage through business relationships where appropriate and relevant. In this instance, we are exercising leverage through our membership of the ARA and our active support for its fuel quality improvement effort.

Public Eye: We strongly disagree with the interpretation that Trafigura only has an indirect impact. According to the UNGPs, companies can be connected to adverse human rights impacts in three ways: where a company causes adverse impacts; where a company contributes to adverse impacts; or where a company is directly linked to adverse impacts through the operations, products or services by its business relationships. Consequently, the concept of "indirect impact" does not even exist in the UNGPs. By producing (through blending), supplying and selling low quality fuels, companies contribute to the infringement of the right to health caused by traffic related urban air pollution. According to the UNGPs, where a company contributes to adverse human rights impacts, it is required to cease or prevent any further contribution to that impact. In other words, having established that the fuels they are blending "on specification", delivering and selling at the pumps are contributing to adverse health impacts, these companies should stop selling such low quality fuels.

Q. Why does this report focus on the role of Swiss trading companies?

A. Public Eye is a Swiss non-governmental organisation that campaigns for intrusive regulation of global business by the Swiss government. This report, which largely ignores the significant role of companies based elsewhere in supplying African markets, should be viewed in the context of that campaign. The reality is, however, that the important decisions on fuel quality in Africa rest with African governments, not with fuel suppliers or their host countries.

Public Eye: Swiss commodity traders are key players in the African fuel business and in many countries they are dominant, as our report shows. In the report, we also acknowledge - knowing that non-Swiss companies are also supplying the African markets - that as a Swiss-based organization, Public Eye feels responsible to point the finger at Swiss companies causing problems and how they could solve them by changing their practice. Other companies should, of course, also stop selling African Quality fuels. When Swiss traders start supplying clean fuels to African countries voluntarily, it will contribute tremendously to systemic change across the industry and contribute to the goal of clean fuels for everyone. Because of its important position and recent sustainability promises we believe Trafigura should lead the Swiss sector in this respect.