

May 12, 2008

Dear Mr. Kell,

We write to urge the United Nations Global Compact (GC) to use its leverage and the privilege and prestige of membership in the GC to engage with PetroChina Co Ltd. (PetroChina), a GC participant, on behalf of the people of Sudan.

As you know, the Secretary-General has launched a year-long campaign in which all parts of the United Nations family are recognizing 2008 as the 60th anniversary of the Universal Declaration of Human Rights (UDHR). This anniversary is particularly relevant for the GC which derives the first two of its ten principles from the UDHR. The first principle of the GC states that businesses should support and respect the protection of internationally proclaimed human rights. The second principle requires that businesses ensure that they are not complicit in human rights abuses.^[1] In spite of these principles, PetroChina, the listed arm of China National Petroleum Corporation (CNPC), Sudan's largest oil industry partner, is indisputably linked to the regime perpetuating the violent conflict in Darfur. We write in honor of the 60th anniversary and in advance of PetroChina's annual meeting of shareholders on May 15, 2008.

Our concerns fall under Measure Four of the GC Integrity Measures: "Allegations of Systematic or Egregious Abuses."^[2] In this measure, the GC states that "safeguarding the reputation, integrity and good efforts of the Global Compact and its participants requires transparent means to handle credible allegations of systematic or egregious abuse of the GC's overall aims and principles." In accordance with these Integrity Measures, we respectfully request that the GC will, "use its own good offices to encourage resolution of the matter," by requesting that PetroChina, in partnership with its parent company, CPNC:

Engage the Government of Sudan (GoS), either independently or collectively with other foreign oil companies operating in Sudan, and request that the GoS (1) fully and promptly implement all provisions of United Nations Security Council Resolution 1769 (UNSCR 1769) which authorizes the deployment of a robust international peacekeeping force in Darfur, (2) ensure free and unfettered access for humanitarian aid workers to the people of Darfur, (3) provide full and unrestricted land access for peacekeeping troops (including land for UN bases), (4) cease support for the Janjaweed militia without delay, and (5) genuinely engage in the Darfur peace process.

Make all possible efforts to contribute to the success of Sudan's Comprehensive Peace Agreement (CPA), including utilizing leverage on its business affiliates, on the GoS, and on the Government of South Sudan to ensure that the CPA is implemented without further delay.

If PetroChina/CNPC does not fulfill these requests, and also does not provide a comprehensive report to the UNGC and the undersigned within three months from PetroChina's annual meeting, we respectfully request that PetroChina be placed on probationary status as a GC participant until such actions have been satisfactorily taken and reported.

Although PetroChina has claimed independence from CNPC, the two companies are inseparable. Management at CNPC and PetroChina almost completely overlap and the same individual, Jiang Jiemin, is president of both companies. Frequent asset transfers between the two entities, which often take place at subsidized rates, have made CNPC completely reliant on PetroChina for its financial health. In a May 2007 report on the relationship between PetroChina and CNPC, KLD Research & Analytics, an independent research firm, concluded that "investors should treat CNPC and PetroChina as if they were a single entity."^[3] Comprehensive research by the Genocide Intervention Network on the intimate, opaque, and symbiotic relationship among

PetroChina, CNPC, and CNPC's extensive and problematic operations in Sudan reaches the same conclusion.[\[4\]](#)

PetroChina has been engaged regarding Sudan for at least five years by numerous individual and institutional investors, including public and private pension funds, mutual funds and asset managers. Despite the overwhelming evidence to the contrary, the company has continuously denied its connection to CPNC and its operations in Sudan.

We believe that engagement by PetroChina/CNPC with the GoS would have a dramatic impact on curtailing the gross violations of human rights committed in Sudan for decades. The GoS has a well-documented history of susceptibility to economic pressure. It is highly reliant on foreign direct investment not only to pay its debts and subsidize government expenditures, but also to fund its military and finance the conflict in Darfur. In fact, a former Sudanese finance minister estimated that 70% of the government's share of oil profits is spent on the military.[\[5\]](#)

China is Sudan's largest foreign investor and most significant international supporter. Over the past ten years, Beijing has courted the favor of GoS leaders in order to secure access to petroleum and other primary resource supplies needed to feed China's booming economy. As the US and Europe have either imposed or considered imposing sanctions on Sudan, China invested an estimated \$15 billion into Sudan. The state-owned CNPC operates the majority of Sudan's oil industry and has invested at least \$5 billion in the country.[\[6\]](#)

In the April 2008 issue of the Compact Quarterly newsletter, you wrote, "Civil society must remain vigilant. Over and above being a partner in implementation, their continued vigilance will be required to ensure that businesses resist the temptation to take easy escape routes. It is not enough for business to focus on specialized engagement opportunities while neglecting core issues that are also impacted by their operations. Indeed, it would be wrong to allow for 'offsets' that serve to ignore other responsibilities. I hope civil society will not abandon its traditional watchdog role."[\[7\]](#)

In writing this letter, the undersigned are fulfilling the responsibility to act as corporate watchdog which you ask of us. We sincerely hope that the UN Global Compact and its participant, PetroChina, will also fulfill their respective responsibilities to uphold the principles of the GC by taking immediate and constructive action to help end the egregious violations of human rights occurring in Darfur for over the past five years. Please direct any response to this letter to info@investorsagainstgenocide.org.

Sincerely,

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- [1] United Nations Global Compact (UNGC), “The Ten Principles,” <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html>, accessed 3 May 2008.
- [2] UNGC, “Integrity,” <http://www.unglobalcompact.org/AboutTheGC/integrity.html>, accessed 3 May 2008.
- [3] KLD Research & Analytics, “Public Companies Operating in Sudan: The Relationship of PetroChina Company Ltd. to China National Petroleum Corporation,” 9 May 2007, http://www.kld.com/newsletter/archive/press/pdf/KLD_Analysis_of_PetroChina_Company.pdf, accessed 3 May 2008.
- [4] Sudan Divestment Task Force (SDTF), “PetroChina, CNPC, and Sudan: Perpetuating Genocide,” 15 April 2007 (Updated 3 January 2008), <http://www.sudandivestment.org/position.asp#petrochina>, accessed 3 May 2008.
- [5] SDTF, “PetroChina, CNPC, and Sudan: Perpetuating Genocide,” 15 April 2007 (Updated 3 January 2008): 3, http://www.sudandivestment.org/docs/PetroChina_CNPC_Sudan.pdf, accessed 3 May 2008.
- [6] *Ibid.*, 5.
- [7] Compact Quarterly, “The Future of Corporate Responsibility” by Georg Kell, Volume 2008, Issue 1, http://www.enewsbuilder.net/globalcompact/e_article001076831.cfm?x=bcwrKs5.b8Jtqm0v.w, accessed 6 May, 2008