

Cut and Run

An update on the impacts of Buchanan Renewables' operations and Vattenfall's divestment



SOMO, Green Advocates & Swedwatch

March 2013

Colophon

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The Centre for Research on Multinational Corporations (SOMO) is an independent, not-for-profit research and network organisation working on social, ecological and economic issues related to sustainable development. Since 1973, the organisation investigates multinational corporations and the consequences of their activities for people and the environment around the world.



Green Advocates International is a nonprofit, public interest law, environmental and human rights organization, working to advance a wide range of issues through legal aid, consultation and support for the victims of environmental and human rights violations; the development of context-specific programs to empower poor rural, urban slum and squatter communities to participate in decision-making processes in the management of Liberia's natural resources and its economy and the public's right to know; the drafting and enactment of appropriate policies and legislations on good governance; the promotion of transparency and accountability in governmental activities; and assistance in the strengthening and enforcement of existing environmental and human rights standards.



Swedwatch is an independent research organisation examining Swedish business relations in developing countries with a focus on environmental and social concerns as per international human rights law and standards. Swedwatch has six member organisations: The Swedish Society for Nature Conservation, the Church of Sweden, Fair Trade Center, The Africa Groups of Sweden, Solidarity Sweden-Latin America and Diakonia.

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Executive Summary

In 2011, SOMO and Green Advocates published a research report on the impacts of Buchanan Renewables on sustainable development in Liberia. The report, entitled 'Burning Rubber: Buchanan Renewables' impact on sustainable development in Liberia', aimed to provide insight in the impacts of the business activities of Buchanan Renewables (BR), a company producing biomass from old rubber trees, on a range of different stakeholders in Liberia. The report also examined to what extent the company's practices reflected its corporate image as a sustainable and socially responsible venture. Among other findings, the report found that a number of smallholder farmers who had engaged with BR were facing difficulties sustaining their livelihoods, that BR's removal of old rubber trees from Firestone's large rubber plantation had increased the hardships for local charcoal producers, and that BR's corporate structure was perfectly suited for tax avoidance purposes.

The present report is an update of 'Burning Rubber' and addresses the developments that have taken place since November 2011. In particular, this report looks at the decision by Vattenfall and Swedfund, two Swedish minority shareholders of the company, to divest from BR in May 2012. Through series of interviews, the underlying motives of this decision are discussed. Furthermore, this report discusses the consequences of Vattenfall and Swedfund's decision on the smallholder farmers in the province of Grand Bassa. The report also looks at the effects of BR's operations on the charcoal producers at and around the Firestone estate, describes recent developments related to the proposed biomass power plant, and re-addresses the company's corporate structure.

In January 2013, BR announced that it was sold to a group of unnamed investors. It should be noted that this research is limited to developments that have taken place before the sale of the company.

Vattenfall and Swedfund: insufficient due diligence

Vattenfall is a Swedish state-owned utility company and is one of Europe's largest generators of electricity and the largest producer of heat. An important strategy to achieve its goal to reduce its CO2 emissions is to co-fire biomass in its coal power plants. Swedfund is Sweden's Development Finance Institution (DFI) and provides loans, equity investments or fund portfolios to 90 companies in 36 countries. While the Swedish state sets out that Swedfund shall contribute to the goal of Sweden's Policy for Global Development (PGD: equitable and sustainable global development), Swedfund has been criticised in the past for a lack of transparency and for not evaluating its effects on poverty reduction.

In 2010, Vattenfall and Swedfund acquired a 30% share in Buchanan Renewables Fuel (BRF). Before entering the project, Vattenfall conducted due diligence covering the social and environmental aspects of BRF. However, in May 2012, the two companies announced their divestment from BRF. Vattenfall indicates that the decision to divest was taken because the original business case was no longer viable, while Swedfund indicates it followed Vattenfall's decision. Vattenfall states that it could not get enough quantities of woodchips due to problems with infrastructure, equipment, and local organisation. Neither Vattenfall nor Swedfund have conducted any due diligence to ensure that Liberian stakeholders were not negatively affected by their decision to divest of BRF.

As described below, Vattenfall and Swedfund's corporate decision to divest from BR has contributed to the developments in recent months for the smallholder farmers. It could have been expected that the companies would do more to ensure that their divestment would not have such negative impacts on any of the local stakeholders. It is clear that this aspect did not receive sufficient consideration in the due diligence process. While each of the individual decisions of the corporate actors might make sense, the ultimate consequence is that poor Liberians lose their farms and their livelihoods, and that rejuvenation of smallholder farms is not seen through to the end.

Smallholder farmers

23 of the 34 farmers in Grand Bassa that had contracts with BR were interviewed during the course of this research, making the results generalizable to all of the smallholder farmers. Farm visits, interviews with the farmers and reviews of available documents reveal that several improvements in the relations between BR and the farmers had occurred after November 2011, but that these positive developments came to a halt after Vattenfall and Swedfund decided to divest. The improvements included restart of engagement and contact with the smallholder farmers, actively addressing a number of their concerns, such as the renewed efforts to maintain the young trees and compensating some of the farmers for trees that were cut down but never processed into woodchips. Maintenance of the newly planted rubber trees also picked up, and the recognition of the Farmer's union allowed the farmers to engage with the company as a group rather than on an individual basis.

The maintenance of the farms, the monthly meetings between the company and the farmers and the constant building of trust all came to an end when BR decided to terminate all contracts in the summer of 2012. This negatively impacted even those farmers who had not previously complained and who were satisfied with the agreement they had with BR.

Because of this termination, the farmers are now faced with the challenge to cover the costs of maintenance of trees that are not yet generating any income. For most of the smallholder farmers, the ultimate consequence of these recent developments seems to be that maintenance of the young rubber trees will no longer be conducted.



Many farmers indicate that they have no other choice but to seek other forms of income, and let the weeds overgrow the farms and kill the young rubber trees.

This illustrates that the company's self-stated contribution to the 'rejuvenation of the rubber sector' has come to a halt. From the beginning, rejuvenation of smallholder farms has been a major part of the company's public image, and it is also the model that allowed it access to various sources of development related funding. The fact that this rejuvenation is not seen through to the end has the gravest consequences for the farmers themselves, who are now faced with farms that they cannot use, creating a situation in which these farmers are worse off now than they were before engaging with BR.

Charcoal producers

Compared to the situation described in 'Burning rubber', the engagement between BR and the National Charcoal Union of Liberia (NACUL) has improved over the last year. The company assisted in the construction of an office for the leadership of the union, which is now in a better position to coordinate the activities of its members across Liberia. The NACUL also has taken steps since the publication of 'Burning Rubber' to engage with Firestone to ease the tensions with the charcoal producers and is working with the FDA to develop plantations for the exclusive purpose of providing wood for charcoal production.

Meanwhile, the charcoal producers at Freeman Reserve are scrambling to gain access to the wood that is left behind after BR harvests the trees on the Firestone estate. The findings from the field study described in this report contradict BR's position that enough wood is left for the charcoal producers after the company fells the old trees. Several interviewed charcoalers also indicate that they were forced to pay a fee to BR employees to gain access to the wood left behind by BR, which goes against the company's own policies.

This situation has not only created difficulties for those charcoal producers that harvest wood left behind by BR, but has also led a number of other producers deciding to source from natural forests instead. According to NACUL staff, the destruction of natural forests through the production of charcoal in this area is a direct consequence of the difficulties faced by charcoal producers in sourcing rubber wood from the Firestone estate.

BR's corporate structure: unchanged yet more controversial

'Burning Rubber' concluded that BR's corporate structure, which made use of mailbox companies in the Netherlands, Luxembourg and other known tax havens, was designed in a way that facilitated tax avoidance. The structure had an overly complex design that made use of Dutch entities that had internal financing roles but no economic substance. It was concluded that tax concerns were a major reason for choosing this particular structure.

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This follow-up report only identified minor changes to the corporate structure. BR's operations are still ultimately controlled by Buchanan Renewables B.V., a mailbox company in the Netherlands that has no employees and no activities in the country. The same concerns that were voiced in 'Burning Rubber' are therefore still relevant. Meanwhile, the use of intra-company payments and subsidiaries in tax havens is the subject of increasing international criticism. A number of elements that were brought to light during hearings in the UK parliament are comparable to the corporate structure of BR. In particular BR's use of mailbox companies in the Netherlands and Luxembourg show similarities to the strategies used by these companies and criticised by UK parliament.



1. Introduction

1.1. Background

In 2011, SOMO and Green Advocates published a research report on the impacts of Buchanan Renewables on sustainable development in Liberia. The report, entitled 'Burning Rubber: Buchanan Renewables' impact on sustainable development in Liberia', aimed to provide insight in the impacts of the business activities of Buchanan Renewables (BR), a company producing biomass from old rubber trees, on a range of different stakeholders in Liberia. The report also examined to what extent the company's practices reflected its corporate image as a sustainable and socially responsible venture. Four different issues related to BR's activities were evaluated: 1) the regulatory framework for BR's operations in Liberia; 2) the impacts on smallholder rubber farmers; 3) the impacts on the Liberian charcoal market; and, 4) tax avoidance through its corporate structure.

Among other findings, the report uncovered that a number of smallholder farmers who had engaged with BR were facing difficulties sustaining their livelihoods, partly as a consequence of payments by BR that were lower than expected or agreed upon. Other difficulties faced by the farmers included the destruction of their farms and the lack of maintenance of the young rubber trees that the company had planted to replace mature trees that had been converted into biomass for energy production. In 2011, the smallholder farmers organised themselves and voiced their complaints to the company, which in turn had started to address some, but not all, of these issues.

Another finding detailed in 'Burning Rubber' was that BR's removal of old rubber trees from Firestone's large rubber plantation had increased the hardships for local charcoal producers, who had difficulties sourcing the needed quantities of rubber wood. While BR had a memorandum of understanding with the National Charcoal Union of Liberia (NACUL) to assist charcoal producers in overcoming these challenges, the company had not taken any concrete steps to implement this agreement. This led to a stressful situation among charcoal producers, traders and users, in turn increasing the risk of violent conflict.

Finally, 'Burning Rubber' revealed that the design of the corporate structure of BR is perfectly suited for tax avoidance. A number of different elements of this corporate structure indicated that tax planning has been a major reason for its complex corporate structure.

'Burning Rubber' concluded that there were a number of issues that contradicted BR's public image presenting itself as a company that contributes to the sustainable development of Liberia. Smallholder farmers were facing additional difficulties, rather

than an improvement of their situation. Moreover, the energy situation for many Liberians had deteriorated rather than improved in the time that the company had been active in the country.

Many important developments have taken place since the publication of 'Burning Rubber'. The present report is an update of last year's findings, describing and analysing these recent developments.

1.2. Developments after the publication of 'Burning Rubber'

In the period following the publication of 'Burning Rubber', a number of important developments related to the issues in the report have taken place. This section briefly describes some of these developments, which provide an up-to-date context for the findings described in the present report.

■ Questions in Swedish parliament and the Senate of Berlin

In a follow up to the publication of 'Burning Rubber', questions have been asked in the Swedish parliament regarding the role and responsibility of Swedfund, who had a minority share in BR Fuel through its joint venture with Vattenfall. Åsa Romson, member of the Swedish parliament for the Green Party (Miljöpartiet), referred directly to 'Burning Rubber' in her written questions to Minister Gunilla Carlsson and asked 'What does the Government intend to do to ensure that Swedfund's operations in Liberia contribute to poverty alleviation and sustainable development?'¹ In response to Romson's questions, the Minister stated:

*'It is regrettable if the operations of Buchanan Renewables Fuels have had negative consequences. Investments made by Swedfund should be environmentally, socially and economically sustainable. As shown by the Dutch SOMO report, Buchanan Renewables Fuel has already taken steps to address the problems highlighted in the report which Åsa Romson has now raised questions about. I will, in dialogue with Swedfund, follow up the continued steps made by Buchanan Renewables Fuel.'*²

In the Senate of Berlin, the report was also mentioned in questions by Senate member Michael Schäfer of the Green Party (Die Grüne) to the department for Urban Development and Environment.³ His questions referred to the sections of 'Burning

1 Sveriges Riksdag, "Swedfunds investeringar i Liberia", Skriftlig fråga 2011/12:130, 10-11-2011, http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Fragor-for-skriftliga-svar/Swedfunds-investeringar-i-Libe_GZ11130/ (01-03-13).

2 Riksdag, "Swedfunds investeringar i Liberia", Svar på skriftlig fråga 2011/12:130, 22-11-2011, http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/Swedfunds-investeringar-i-Libe_GZ12130/ (01-03-13).

³ Kleine Anfrage der Abgeordneten Michael Schäfer (GRÜNE) vom 08. März 2012 (Eingang beim Abgeordnetenhaus am 09. März 2012) und Antwort Herkunft des Holzes für Berliner Vattenfall-Kraftwerke,



Rubber' that deal with the effects of BR on the Liberian charcoal market and the delay in the construction of BR's biomass-fuelled power plant.

▣ **Divestment of Vattenfall**

In the first quarter of 2012, Vattenfall announced that it would divest its share in BR Fuel. In its Q1 interim report, Vattenfall states:

*'Vattenfall has reached an agreement to sell its interest in the pilot project involving supply of biomass in Liberia that is being conducted through Buchanan Renewables Fuel. Vattenfall is a minority owner in the project. Due to the sale of its interest, Vattenfall has recognised an impairment loss and made provisions during the first quarter, for a total of SEK 1,341 million.'*⁴

In a news report on the matter, Vattenfall is quoted saying: *'It is fair to say we were disappointed with operations and output [in Liberia]'*.⁵

Five days after it was announced that Vattenfall would withdraw from BR Fuel, Swedfund, the other minority shareholder, sent out a press release in which it indicated that it had sold its share of the company to Vattenfall. Swedfund's acting managing director Anders Kraft was quoted saying: 'Our intention was to remain in this investment for the long term, but Vattenfall has now decided to buy us out, and we assume that the company in Liberia will continue its business and play its part in the country's development, even though Swedfund is no longer involved in the investment'⁶

▣ **Renewed political debate in Liberia on the construction of the power plant**

On 17 May 2012, the Plenary of the House of Representatives (Liberia) declared the concession operations of Buchanan Renewables a 'dubious and economic trouble' for Liberia.⁷ The Plenary further voted unanimously to halt all operations of BR, particularly the collection and shipment of wood chips from Liberia to other parts of the world for commercial purposes. The House's decision stemmed from a joint committee report resulting from several hearings conducted with key players, including BR's management.

Drucksache 17 / 10 296, http://www.stiftung-naturschutz.de/fileadmin/img/pdf/Kleine_Anfragen/ka17-10296.pdf (11-02-13).

⁴ Vattenfall, *Interim Report January – March 2012*, May 2012, http://www.vattenfall.com/en/file/Q1-2012-Report_20590608.pdf (01-03-13) p.3.

⁵ Argus Media website, "Swedish utility sells stake in African biomass production", 04-05-12, <http://www.argusmedia.com/pages/NewsBody.aspx?id=796627&menu=yes> (01-03-13).

⁶ Swedfund press release, "Vattenfall buys Swedfund's share of Vattenfall Biomass Liberia AB", 09-05-12, www.swedfund.se/en/?artikel=vattenfall-buys-swedfund%E2%80%99s-share-of-vattenfall-biomass-liberia-ab (01-03-13).

⁷ K. Morris, "House Declares BR Dubious", *Daily Observer*, 18-05-2012; LibNews weblog, 'Lawmakers in Liberia Declare Buchanan Renewables Operations Dubious', 18-05-2012, <http://libenews.wordpress.com/2012/05/18/lawmakers-in-liberia-declare-buchanan-renewables-operations-dubious/> (13-02-2013).

The legislators stated that BR had gravely reneged on its promises as contained in the contract agreement signed between the company and the Government of Liberia. Members of the House of Representatives also called on BR to remove the billboards announcing power supply around Monrovia.⁸

In August 2012, President Johnson Sirleaf of Liberia sent a communication to the Plenary of the House of Representatives, 53rd National Legislature, to concur with recommendations from an Inter-Ministerial Committee. This committee stated that the government should not halt BR's operations for the reasons listed in the abovementioned joint committee report, especially given the fact that BR Fuel is a separate business entity from BR Power even though they have the same parent company. The President also noted that the Ministry of Land, Mines and Energy, the Liberia Electricity Corporation (LEC), and BR are currently attempting to finalise the power purchase agreement. She also noted that a conclusion of this deal is important to Liberia's energy future and the continued viability of the agriculture (rubber) sector of the country's economy. President Johnson Sirleaf stressed that both Buchanan Renewable Fuel (BRF) and Buchanan Renewables Power (BRP) are owned by Buchanan Renewable BV (BR) but are separate companies. And BRF does not have a Concession with the Government of Liberia (GOL), while BRP has a concession with the GOL.

The developments concerning the construction of the power plant are further described in Chapter 5.

■ Buchanan Renewables sold to unnamed investor group

In early January 2013, Buchanan Renewables B.V. sent out a short press release announcing the sale of the company to an unnamed investor group.⁹ The sale included both the assets of the fuel business (BR Fuel) as well as the plans to construct the biomass-fuelled power plant (BR Power).

According to filings at the Dutch Chamber of Commerce, the new owner of Buchanan Renewables B.V. is Gulf Renewable Energy N.V., an entity registered in the island of Curaçao.¹⁰ No further details were available about the ultimate owner of that entity.

1.3. Aims and target groups

The overarching aim of the present report is to ensure that corporate activities genuinely contribute to sustainable development, and to shed a light on corporate decision making

⁸ New Democrat News website, "Remove Billboards", 11-07-12, www.newdemocratnews.com/index.php/component/content/article/44-the-executive/1296-house-members-vent-fury-at-bre (12-02-13).

⁹ Buchanan Renewables press release, 'Buchanan Renewables B.V. Announces sale of the Company', 02-01-13.

¹⁰ Concernrelaties Buchanan Renewables B.V., as retrieved from the Dutch Chamber of Commerce, 25-02-13.



processes and the impacts of such decisions. In order to do so, the report seeks to identify developments, improvements and unresolved issues related to the activities of BR that have taken place since the publication of 'Burning Rubber'.

The present report also intends to analyse the impacts on the smallholder farmers and charcoal producers of the actions taken by BR in response to 'Burning Rubber'. In addition, this report aims to provide insight in both the decision making processes and the consequences of Vattenfall and Swedfund's divestment of BR. In doing so, this report provides an example in case of the potential impacts of Europe's demand for biomass to co-fire in coal power plants, especially when this biomass is sourced from developing countries.

The primary intended beneficiaries of the present report are the Liberian farmers, charcoal producers and citizens directly affected by BR's operations. Broader target groups include corporate decision makers, multilateral investment groups, policy makers in Liberia and Europe, and civil society groups working on corporate accountability and sustainable development, particularly related to the use of imported biomass as an energy source and equitable corporate tax regimes.

1.4. Methodology

The present report employs a combination of desk research and field study. This report is co-authored by three organisations, each of which was responsible for the research and drafting of one or more chapters. SOMO coordinated the overall process and is the primary author of Chapter 3 on the smallholder farmers. Swedwatch authored Chapter 2 on Vattenfall and Swedfund while Green Advocates is the primary author of Chapter 4 on the charcoal producers. Chapter 5 on the construction of the power plant and BR's corporate structure was co-authored by SOMO and Green Advocates.

Field study

The field study for this report took place in October and November 2012, and was conducted by SOMO and Green Advocates.

For Chapter 3 on the smallholder farmers, a series of farm visits and interviews with smallholder rubber farmers were made on 27-30 October, 2012. The farmers were approached with the assistance of two of the farmers' representatives, Gabriel Browne and James Glay. In one of the meetings with BR in 2011, the farmers had been provided with a list of all the 34 smallholder farms where BR had removed old trees and planted new ones.

This list formed the basis of the identification and selection of the farms that are included in this research. In total, information was gathered on 23 farms, representing two-thirds of the farms on the list. This includes a number of farms that had not been included in

'Burning Rubber'. SOMO and Green Advocates conducted the field visits to the farms. These visits comprised three elements:

1. Interviews with the farmers, during which they were asked to describe the developments of the last year, including details on the maintenance of the farms by BR, the overall level of engagement with the company and the process of terminating the contracts.
2. Visual inspection of the current state of the farms, determining whether the required level of maintenance had been achieved.
3. Review of available documentation, including the contracts and agreements with BR and the letters of termination (see Chapter 3 for more information about the process of terminating the contracts). Such documentation was available for seven of the farms visited.

All the information provided by the farmers was submitted to BR for review and correction in a draft version of the present report (see below for more details on the review procedure).

In some cases, only the caretaker of the farm – often a relative of the person who had signed a contract with BR – was interviewed. In such cases, only the information relating to the current condition of the farm was included in the current research. In the case of two farmers, interviews were held without a visit to their farms. Detailed information for each of the farms is provided in the table below.

Table 1: Overview of farm visits and interviews by SOMO and Green Advocates in October 2012

Farm	Farm inspected	Farm owner interviewed	Caretaker interviewed	Documentation seen
Emmanuel Logan*	X	x		
R Francis Mason	X		x	
Holt #1	X	x		
Holt #2	X	x		
Jerry Barchue	X		x	
Gabriel Browne	X	x		x
Joseph Montgomery	X	x	x	
Sam Bowin	X	x		x
Levi Martin	X			
Richard Whehgar	X		x	
Dillion	X		x	



Extension				
Dallon farm #A	X		x	
Macbet Mason	X		x	
Arthur Garpue	X		x	
Joe Glay farm	X	x		x
Bryant farm	X		x	
Kangar farms	X	x		x
Dallon farm	X		x	
Martha Marsue	X	x	x	
Nathan Horace	X	x		x
Charles Holt #3		x		x
Charles Holt #4		x		x
Marthalyne Gongar	X	x		

* An interview was held with the descendant of the original signer of the contract

For Chapter 4 on the charcoal producers, Green Advocates visited Freeman Reserve on 10-11 November 2012 to document actual practices in accessing wood in locations cleared by Buchanan Renewables at the Firestone estate. Freeman Reserve is one of several areas where charcoal is produced for markets including Monrovia. It is also the lead community gathering wood left behind by Buchanan Renewables at the Firestone estate. Freeman Reserve is located between Monrovia and the provincial city of Kakata, Margibi County. Part of the charcoal produced at the reserve is transported to Monrovia. The settlement is not part of the Firestone estate, but is rather an independent settlement surrounded by the estate. As Buchanan Renewables began harvesting old trees from the Firestone estate, the charcoalers have been following BR to gather wood left in the fields. In addition to visiting the Freeman Reserve, Green Advocates also visited Division 18, Division 16, Division 14 and Division 5 of the Firestone estate and interviewed a total of 23 charcoalers. The charcoalers interviewed were all members of the National Charcoal Union of Liberia.

Desk research

A number of interviews were held with different stakeholders in Liberia and Sweden. Representatives of the following institutions were interviewed, either in person or by phone, during the course of this research:

- ❑ Monrovia, Liberia – 25-30 October 2012
 - Buchanan Renewables
 - Farmbuilders
 - National Investment Commission (NIC)
 - Ministry of Agriculture (MoA)
 - Forestry Development Authority (FDA)

- Environmental Protection Agency (EPA)
- Liberian Extractives Industry Transparency Initiative (LEITI)
- Stockholm, Sweden – 24-29 October, 22 November 2012 and 28 January 2013
 - Vattenfall
 - Swedfund

Additionally, complementary information has been gathered through the following sources:

- Corporate filings of BR in The Netherlands, Guernsey and Luxembourg
- Press releases from BR, Vattenfall and Swedfund
- Various Liberian, Swedish and international media reports
- Filings of BR at the EPA
- Reports by international institutions

Company review

A key method for verifying the information presented in the present report was the company review procedure. Two months prior to publication, a draft version of the report was sent to BR, Vattenfall and Swedfund. The companies were asked to review the draft and given the opportunity to provide comments and corrections where appropriate. All three companies made use of the opportunity to provide primarily general and methodological comments. Most of the comments received from BR comprised questions about the methods employed to gather and verify information. Where applicable, the comments have been incorporated in the relevant sections of the report or have been used to further clarify methodological choices.

Following their methodological comments, BR was invited to provide an additional response to the actual findings in the report. In an email received shortly before publication of the present report, BR indicated that due to limited resources, it saw no opportunity to conduct a factual review of the draft. BR further indicated that it prefers to provide additional facts and information directly to stakeholders when and if questions from stakeholders arise. The authors indicated that any additional facts that the company is willing to share will be incorporated in future reports.

1.5. Scope and outline

The scope of this report is limited to developments that occurred after November 2011, and that are related to the issues discussed in 'Burning Rubber'. For further background on BR as a company, including its history, activities, corporate presentation and owners, please refer to Chapter 2 of 'Burning Rubber'.¹¹

¹¹ SOMO and Green Advocates, *Burning Rubber: Buchanan Renewables' impacts on sustainable*



The scope of those sections of 'Burning Rubber' that dealt with the smallholder farmers was limited due to the methodology that included a participatory rural appraisal (PRA) of nine farms that BR sourced its rubber wood from. It was recognised that this methodology did not allow for the generalisation of the findings, because there was a bias towards those farmers that had issues they wanted to address. The methodology employed for the present report covers two-thirds (23 out of 34) of all the smallholder farms that BR has sourced rubber wood from and can be more easily generalised as the researchers actively visited farms and approached farmers. This means that those farmers who did not feel the need to actively participate in the 2011 PRA are also included in the present analysis.

The remainder of the report is outlined as follows: Chapter 2 provides an overview of the involvement of Vattenfall and Swedfund as minority shareholders in BR and their motives to divest of the company in May 2012. Chapter 3 describes the current situation for the smallholder farmers that had engaged with BR, including the developments taken place after Vattenfall and Swedfund decided to divest. Chapter 4 describes the situation of the charcoal producers at the Freeman estate on the Firestone plantation with regards to the effects of BR's activities there. Chapter 5 briefly describes updates of a number of other issues from 'Burning Rubber', including BR's corporate structure and potential for tax avoidance, and the latest developments concerning the company's planned biomass-fuelled power plant in Kakata. Chapter 6 provides an analysis of the developments of the previous year and the consequences of Vattenfall's decision to divest, and concludes with a number of recommendations.

2. The role of Vattenfall and Swedfund

Written by Swedwatch

This chapter provides an analysis of the role of Vattenfall, a Swedish state-owned energy company, and Swedfund, a Swedish state-owned development finance institution, in Buchanan Renewables Fuel (BRF). The chapter includes information about the history of these two actors, their business objectives and Corporate Social Responsibility (CSR) policies. It also gives an account of the June 2010 decision by Vattenfall and Swedfund to invest in BRF as well as the reasons for their May 2012 divestment of BRF and departure from Liberia. By providing insight in such corporate decision making processes, this chapter aims to shed light on the motives behind decisions that led to the consequences described in the subsequent chapters. As will be described in further detail in Chapter 3, Vattenfall's decision to divest has been a main driver for BR's move to terminate their contracts with smallholder farmers.

This chapter highlights the role of European actors such as Vattenfall (a minority shareholder in BR and consumer of Liberian biomass) and Swedfund (a development finance institution) as drivers of the impacts experienced in Liberia. The information in this chapter is all the more relevant because these two important actors are not widely known in Liberia.

2.1. Vattenfall

Vattenfall was founded in 1909 as a state-owned enterprise. In 1992 Vattenfall was transformed into the limited liability company Vattenfall AB, in preparation for the deregulation of the Swedish electricity market, which takes place in 1996. The Swedish state has 100% ownership of Vattenfall AB.

That same year Vattenfall initiated an aggressive expansion outside of Sweden by investing in energy companies in Finland, Denmark, the United Kingdom, Poland, and Germany. In 2009, Vattenfall acquired control of Dutch energy company N.V. Nuon Energy, citing risk diversification and buying into gas production to offset the coal-fired plants in Germany as the reasons.¹² The acquisition was widely criticised for being too expensive, with approximately half the amount booked as 'goodwill value'. This still heavily affects Vattenfall's profitability.

¹² Vattenfall, "Vattenfall and Nuon join forces to create a leading European energy company", Investor & Analyst Conference Call, 23-02-09, http://www.vattenfall.com/en/file/Analyst-conference-call-23-Fe_8459946.pdf (01-03-13).



In 2008 Vattenfall adopted a new strategic vision – ‘Making electricity clean’. The goal is to make Vattenfall climate-neutral by 2050.¹³

Today Vattenfall is one of Europe’s largest generators of electricity and the largest producer of heat. It has approximately 34,000 employees with core operations in Sweden, Germany, and the Netherlands. In 2011 the company also operated in Belgium, Denmark, Finland, France, Poland and the United Kingdom.

Vattenfall has been very profitable for the Swedish state so far. In 2011 the operating profit was SEK 23 billion (€ 2.7bn). Even so, Vattenfall’s financial position has worsened, primarily due to the investment in Nuon and the phasing out of nuclear power in Germany. For the third quarter of 2012 Vattenfall showed a loss of SEK 2,735 million (€ 316m) due to impairment of goodwill and business assets, mainly in the Netherlands.¹⁴

About 50% of Vattenfall’s electricity generation is fossil-based, while hydro power accounts for approximately 20% and nuclear power for 25%. Only 3% is accounted for by wind power, biomass and waste.

Vattenfall’s heat production primarily comes from hard coal, lignite, and gas. Biomass and biogenetic waste accounts for 12%.

Vattenfall’s goal is to reduce carbon dioxide (CO₂) emissions from 89 million tonnes in 2011 to 65 million tonnes in 2020. One of the main strategies to achieve this goal has been carbon capture and storage (CCS), meaning that CO₂ is stored safely underground. A pilot plant was set up in Germany, but public and political pressure has put the plans for CCS on indefinite hold. Vattenfall has stated that no new coal-fired plants will be built until CCS is commercially viable and politically accepted.¹⁵

In addition, Germany’s decision to decommission all nuclear power plants after the Fukushima accident has affected Vattenfall as it operates two nuclear plants in Germany. These are now not in operation and will not be restarted, which puts even more pressure on Vattenfall to cut CO₂ emissions in other areas.

To reach the emissions target Vattenfall is expanding wind power and has indicated that it will be selling off coal-fired plants in non-core markets.

¹³ Vattenfall, *Vattenfall Annual Report 2009*, http://www.vattenfall.com/en/file/A_leading_European_energy_company_Making_electricity_clean_-_a_long-term_competitive_advantage_11863264.pdf (01-03-13), p.8.

¹⁴ Vattenfall, *Interim Report January – September 2012*, http://www.vattenfall.com/en/file/Q3-2012-Report.pdf_22849000.pdf (01-03-13) p.1.

¹⁵ Vattenfall, *Towards Sustainable Energy; Corporate Social responsibility Report 2011*, March 2012, http://www.vattenfall.com/en/file/Corporate_Social_responsibility_report_CSR_2011.pdf_20332307.pdf (01-03-13), p.4.

An important strategy is also co-firing coal power plants with biomass. Vattenfall states that its ambition is to replace up to 50% of their hard coal with biomass. The company sees co-firing as the quickest way to reduce its carbon footprint. The level of replacement will depend on the availability and affordability of sustainable biomass.¹⁶ The use of (solid) biomass and biogenic waste represents 1% in the share of companywide electricity generation. A total of 3.4 million tonnes of biomass was used by Vattenfall in 2010 as feedstock for electricity and heat generation, of which around 50% consisted of biogenic waste, sourced from municipalities and used mainly in plants in Sweden and Germany.¹⁷ Another 25% of the biomass use was made up of processed wood products such as pellets, which, according to the company, are mainly sourced locally. The remaining 25% was sourced from unprocessed, 'fresh' woody residues.

Vattenfall presents itself as a 'European leader in the development of environmentally sustainable energy production'.¹⁸ It participates in the UN Global Compact, a set of ten principles covering human rights, labour standards, environment and corruption.¹⁹ In addition the company has a corporate Code of Conduct and a Code of Conduct for Suppliers.²⁰

Vattenfall's Code of Conduct is based on eight principles ranging from 'Health and Safety for employees and the public', to 'Care for the environment'. Examples of how Vattenfall should act include taking responsibility for the whole value chain, empowering employees, zero tolerance of bribes, and avoiding conflict of interests. According to its business principles, Vattenfall claims that it always takes into consideration its impact on people, the environment, and society when choosing between alternative solutions.²¹

In the Code of Conduct for Suppliers, Vattenfall asks all suppliers to adhere to the UN Global Compact principles. It also expects suppliers to apply these to subcontractors and second tier suppliers. Suppliers should also strive to live up to both international standards and best practices, and are expected to measure and communicate the progress made to Vattenfall.²²

¹⁶ Idem, p.17.

¹⁷ Vattenfall, response to SOMO Questionnaire on the origin of fuels, email received 08-06-11.

¹⁸ Vattenfall, *Annual Report 2011*, http://www.vattenfall.com/en/file/2011_Annual_Report.pdf 20332206.pdf (01-03-13), p.7.

¹⁹ United Nations Global Compact website, About Us, "The Ten Principles", <http://www.unglobalcompact.org/AboutTheGC/TheTenPrinciples/index.html> (01-03-13).

²⁰ Vattenfall, *We are defined by our actions: This is how we do it*, Code of Conduct 2012, http://www.vattenfall.com/en/file/Code_of_Conduct_2012_18475713.pdf (01-03-13); Vattenfall, *Vattenfall's Code of Conduct for Suppliers*, http://www.vattenfall.com/en/file/Code-of-Conduct_8458724.pdf (01-03-13).

²¹ Vattenfall, *We are defined by our actions: This is how we do it*, Code of Conduct 2012, http://www.vattenfall.com/en/file/Code_of_Conduct_2012_18475713.pdf (01-03-13), p.6.

²² Vattenfall, *Vattenfall's Code of Conduct for Suppliers*, http://www.vattenfall.com/en/file/Code-of-Conduct_8458724.pdf (01-03-13) p.2.



2.2. Swedfund

Swedfund is a Development Finance Institution (DFI) owned by the Swedish state. It was founded in 1979 and currently has 39 employees, with 37 employees in their main office in Stockholm and 2 in their regional office in Nairobi.²³

Swedfund's overall goal is 'poverty reduction through sustainable business'.²⁴ Its importance in the Development Cooperation Policy of Sweden has continued to grow over the years.

This is in line with a strategy that Gunilla Carlsson, Minister for International Development Cooperation, is implementing, where she wants greater cooperation with Swedish business, and strong business communities in the recipient countries to contribute to economic growth there.²⁵ For the years 2012-2014 Swedfund has been promised a minimum of SEK 1,200m (€ 140m), of which SEK 400m (€ 46m) will be allocated in 2012.²⁶ This is 1% of the total aid budget.

The increase in contributions from the aid budget has been substantial. Swedfund received a total of SEK 1,000m (€ 116m) between 1979 and 2006 which can be compared to the total contribution from the state between 2007 and 2012 of SEK 2,100m (€ 240m).²⁷

Furthermore, the total in committed investments, i.e. shares, loans and fund portfolios, has also risen from SEK 615m (€ 70m) in 2003, to SEK 2,631m (€ 305m) in 2011.²⁸

By the end of 2011, Swedfund was active in 90 companies in 36 countries, with an investment portfolio amounting to SEK 2,600m (€ 300m). Of the portfolio, 34% is in the form of loans, 44% in equity (shares in the companies), and 22% in funds. The bulk of investments are in Africa and Asia, with investment values at 47% and 33% respectively.²⁹

²³ Swedfund website, "About Swedfund", <http://www.swedfund.se/en/about-swedfund/> (01-03-13).

²⁴ Swedfund website, homepage, <http://www.swedfund.se/en/> (01-03-13).

²⁵ Gunilla Carlsson, Biståndsminister "Näringslivet ska delta i fattigdomsbekämpningen", Dagens Nyheter, 26-06-09, <http://www.regeringen.se/sb/d/7451/a/129004> (01-03-13).

²⁶ Utrikesdepartementet press release, "Regeringens satsningar inom biståndspolitiken", 20-09-11, <http://www.regeringen.se/sb/d/15077/a/175917> (01-03-13).

²⁷ N. Risare, *Det privata näringslivet som förmedlare av svenskt bistånd – en kartläggning*, Svenska Kyrkan & Diakonia, 2011

http://www.diakonia.se/documents/public/ABOUT_DIAKONIA/Reports/111214_REPORT_PrivateActors.pdf?utm_source=website&utm_medium=PDF&utm_campaign=PRIVATEACTORS2011 (01-03-13), p.11.

²⁸ Swedfund, Annual Report 2011, http://www.swedfund.se/en/files/2012/08/Swedfund-Annual-Sustainabilityand-Financial-Report-2011_fi1.pdf, (27-12-12), p.85.

²⁹ Swedfund website, "Our investments", <http://www.swedfund.se/en/our-investments/> (01-03-13).

The institution's principal types of investments are equities of SEK 10m-100m (€ 1.2m-12m) per investment. Swedfund is always a minority shareholder, typically with a stake of one third of the total investment.³⁰ Swedfund often has a representative on the company board. Even though Swedfund officially invests in businesses regardless of country of origin, in reality over half of the companies invested in, or that it co-invests with, are of Swedish origin.³¹

Like Vattenfall, Swedfund participates in the UN Global Compact. Its sustainability work is based on the World Bank branch IFC's Performance Standards on Environmental and Social Sustainability.³² Swedfund has also signed the UN Principles for Responsible Investment, PRI.³³

Furthermore, its owner, the Swedish state, sets out that Swedfund shall contribute to the goal of Sweden's Policy for Global Development (PGD): equitable and sustainable global development.³⁴

In doing so Swedfund should, in cooperation with partners, take part in investments that would not come about on the basis of commercial financing alone, i.e. Swedfund's investment must be crucial for the business plan to go ahead. The investments should furthermore be conducted in a businesslike manner, and be 'financially, environmentally, and socially sustainable'.³⁵

Swedfund's Policy for Sustainable Development states, among other things, that investments are intended to bring 'broad economic, social, and environmental benefits to countries and communities, while minimising negative impacts on people and the environment'. Swedfund will furthermore provide transparent and accountable information on its activities. An assessment before each investment, and an evaluation after, will be carried out in order to measure the development effects.³⁶

³⁰ Swedfund, *Swedfund: Riskkapital och etableringsstöd på tillväxtmarknader*, http://www.swedfund.se/en/files/2010/08/factasheet_Swedfund-and-Swedpartnership.pdf (01-03-13) p.2.

³¹ N. Risare, *Det privata näringslivet som förmedlare av svenskt bistånd – en kartläggning*, Svenska Kyran & Diakonia, 2011
http://www.diakonia.se/documents/public/ABOUT_DIAKONIA/Reports/111214_REPORT_PrivateActors.pdf?utm_source=website&utm_medium=PDF&utm_campaign=PRIVATEACTORS2011 (01-03-13) p.11.

³² Swedfund, *Swedfund's policy for sustainable development*, <http://www.swedfund.se/en/wp-content/uploads/2010/08/Swedfunds-Policy-for-Sustainable-Development.pdf> (01-03-13) p.1.

³³ Swedfund website, "Swedfund participates in UN PRI", 18-10-12,
<http://www.swedfund.se/en/?artikel=swedfund-participates-in-un-pri> (01-03-13).

³⁴ Swedfund website, Corporate Governance, "Owner's Instructions for Swedfund International AB", Adopted at the Annual General Meeting on 20 April 2012, <http://www.swedfund.se/en/about-swedfund/corporate-governance/> (01-03-13).

³⁵ Ibid.

³⁶ Swedfund, *Swedfund's policy for sustainable development*, <http://www.swedfund.se/en/wp-content/uploads/2010/08/Swedfunds-Policy-for-Sustainable-Development.pdf> (01-03-13) p.1.



Swedfund's adoption of these guidelines in 2010 was preceded by two government reports, which criticised Swedfund for a lack of transparency and for not evaluating the effects on poverty reduction. The increased political focus on poverty reduction through the private sector also increased the pressure on Swedfund to contribute to the goals of the Swedish development aid.

In 2008 the Swedish Agency for Development Evaluation (SADEV) concluded that the monitoring and evaluation of the projects had been poor. Although the screening procedures prior to investment have been found satisfactory, there has not been any contact with divested projects, thus making it difficult to evaluate the contribution to sustainable development.³⁷

In 2009 the Swedish National Audit Office (SNAO) criticised Swedfund for lack of transparency and for the development goals, as defined by the Swedish state, being overshadowed by profitability. SNAO finds that the financial developments of the projects are followed up thoroughly, while the evaluation work concerning the development effects has been limited and general.³⁸

Swedfund has also been subject to criticism in the media for a variety of issues ranging from investing in developing countries through funds situated in tax havens, to abandoning the local population when divesting.³⁹

In Swedfund's 2011 annual report CEO Anders Kraft wrote that 'several investments have received attention in the media and by civil society organisations' and that 'Swedfund welcomes a constructive dialogue with different stakeholders, and we can note that there is room for improvement in Swedfund's development and establishment of such dialogues.'⁴⁰

As a result of this criticism all members of the board except two were replaced in 2012.⁴¹ According to Swedfund's ESG Manager Lars-Olle Larsson, the company is now working towards being more transparent and having a continuous dialogue with media and civil society.

³⁷ SADEV, *Evaluation of Swedfund International*, April 2008, http://www.sadev.se/Documents/Publikationer%202008/SADEV%20Report%202008_3.pdf (01-03-13) p.iii.

³⁸ Riksrevisionen, *Swedfund International AB and its commission to society*, RiR 2009:4 Summary, 2009, http://www.riksrevisionen.se/PageFiles/13789/summary_rir_2009_4.pdf (01-03-13) p.3.

³⁹ For example: Sveriges Radio website, Ekot, "Kritiken mot Swedfund hårdnar", 09-12-2011, <http://sverigesradio.se/sida/artikel.aspx?programid=83&artikel=4849263> (01-03-13); Miljöaktuellt website, "Swedfund hindrar ekonomisk utveckling i biståndsländer", 10-05-12, <http://miljoaktuellt.idg.se/2.1845/1.448019/swedfund-hindrar-ekonomisk-utveckling-i-bistandslander> (01-03-13).

⁴⁰ Swedfund, Annual Report 2011, http://www.swedfund.se/en/files/2012/08/Swedfund-Annual-Sustainabilityand-Financial-Report-2011_fi1.pdf, (27-12-12) p.4.

⁴¹ Omvärlden website, "Regeringen byter ut Swedfunds ordförande och styrelse", 18-04-12, <http://www.sida.se/OmVarlden/Branschnytt/Regeringen-byter-ut-Swedfunds-ordforande-och-styrelse/> (01-03-13).

There is also an ongoing process within Swedfund to make all staff understand not only the importance of the profitability of the businesses it invests in, but also the social and environmental sustainability of the projects.⁴²

CEO Anders Kraft further states:

'It is our ambition to further develop Swedfund from an organisation with professional employees into a professional organisation with routines and quality assurance. During the past year we have enhanced our offer to companies. New recruitments have improved our skills profile in both investment and ESG areas, which gives us increased capacity to work towards a long-term sustainable business development in our portfolio companies.'

*Swedfund's investments, together with our strategic partners, create development effects in the form of technology transfers, tax revenues and jobs in the countries where investments are made. During 2012 we will further develop our methods for measuring and reporting our results.'*⁴³

2.3. Investing in Buchanan Renewables Fuel

On 17 March 2010, the Swedish weekly business paper *Veckans affärer* published an article with the heading 'Vattenfall's new environmental plan – burning wood'. It details rumours about how Vattenfall's outgoing CEO, Lars G Josefsson, is in negotiations to buy Buchanan Renewables Fuel, BRF, for several hundred million Euros, just weeks before he is planning to hand over to incoming CEO Øystein Løseth.⁴⁴

The next day, on 18 March, Vattenfall issued a press release stating that it has signed a contract with BRF for a supply of biomass.⁴⁵ The contract concerns a supply of 1 million tonnes of biomass over a five-year period. Göran Lundgren, head of Vattenfall's Biomass business unit, states that a thorough screening of BRF took place before signing the contract. The screening includes 'the whole chain, from how the land is re-used to transport and logistics, to ensure that the environmental impact of the biomass usage is positive'.⁴⁶

Lundgren states:

⁴² Interview with the manager ESG affairs, Swedfund, conducted by Swedwatch, 22-11-12.

⁴³ Swedfund, Annual Report 2011, http://www.swedfund.se/en/files/2012/08/Swedfund-Annual-Sustainabilityand-Financial-Report-2011_fi1.pdf, (27-12-12) p.4.

⁴⁴ V *Veckans affärer* website, "Vattenfalls nya miljöstatsning – elda skog", 17-03-10, <http://www.va.se/nyheter/vattenfalls-nya-miljosatsning-elda-skog-70021> (01-03-13).

⁴⁵ Vattenfall press release, "Vattenfall köper biomassa från Liberia", 18-03-10, <http://newsroom.vattenfall.se/2010/03/18/vattenfall-koper-biomassa-fran-liberia/> (01-03-13).

⁴⁶ Vattenfall press release, "Därför köper Vattenfall biomassa i Liberia" 18-03-10, <http://newsroom.vattenfall.se/2010/03/18/darfor-koper-vattenfall-biomassa-i-liberia/> (01-03-13).



*'We have made very careful and deep field analysis of all the environmental and CSR aspects. We are very confident this is a very good source for biomass. It has all the environmental management systems in place, it has high ambition, it has its own nursery for rubber plants, it has a strong local CSR perspective.'*⁴⁷

He also mentions that the biomass produced in Liberia will primarily be exported.

Three months later Vattenfall proclaims that it has acquired a 30% share of BRF, together with Swedfund. Vattenfall has bought 20% for € 20m and Swedfund 10% for € 10m. The reason given is to expand the business to secure larger amounts of biomass, up to 2 million tonnes per year.⁴⁸

Swedfund also announces the deal with a press release. According to Swedfund's CEO at the time, Björn Blomberg:

*'This is an investment which will contribute to development in several ways. On the one hand, it will create thousands of direct and indirect job opportunities. It will also, not only benefit the export of biomass but also the important export of latex as the company is responsible for the replanting and cultivation of rubber trees.'*⁴⁹

In a written answer to a SOMO questionnaire in November 2012, Vattenfall says that due diligence covering the social and environmental aspects on BRF and its operations was conducted before entering the project. The results were presented to Vattenfall's management. Further recommendations were then given to BRF who took them into consideration when developing its CSR policy and programme.⁵⁰

According to Vattenfall, as a minority shareholder the company continuously reviewed the operations of BRF, including social, environmental, and economic impacts. Deviations from what was expected were communicated to BRF, which would then take action to correct these deviations. Vattenfall states that 'BRF has been transparent and has reviewed the criticism it has received'.⁵¹

In October 2012, Swedfund answers the questionnaire from SOMO regarding if Swedfund carried out due diligence before investing, with a simple 'yes', in an e-mail

⁴⁷ Creao Media Group website, "Vattenfall acquires share of Buchanan Renewables Fuel Ltd in Liberia", video report, http://player.creomediagroup.se/vattenfall_buchanan_renewables/video_news_report (01-03-13).

⁴⁸ Vattenfall press release, "Vattenfall acquires share of Buchanan Renewables Fuel Ltd in Liberia", 16-06-10, <http://www.vattenfall.com/en/news-archive.htm?newsid=DBD859FD7CEB484EBCAFC751EDA91E48> (01-03-13).

⁴⁹ Swedfund press release, "Swedfund och Vattenfall investerar i biomassa i Liberia", 16-06-10, <http://www.swedfund.se/?artikel=swedfund-och-vattenfall-investerar-i-biomassa-i-liberia> (01-03-13).

⁵⁰ E-mail from the head of Media Relations, Vattenfall, to Swedwatch. 06-11-12.

⁵¹ Ibid

response.⁵² However, in subsequent telephone interviews Swedfund reported that it did not do any investigations of their own before investing, but that they evaluated the due diligence conducted by Vattenfall.⁵³

2.4. The impact of 'Burning Rubber' and a follow-up on its findings

SOMO and Green Advocates published their report 'Burning Rubber' on 9 November 2011.⁵⁴ The following day the Spokesperson for the Swedish Green Party, Åsa Romson, posed a written question in parliament to Gunilla Carlsson, Sweden's Minister for International Development Cooperation.⁵⁵ Romson summarised the findings of the report, and asked the Minister what she will do to ensure that Swedfund's activities in Liberia contribute to poverty reduction and sustainable development.

Swedfund's brief comment is that if mistakes have been made, Swedfund will immediately look into it and try to rectify them.⁵⁶

In a press statement Vattenfall says that it welcomes all examination and reviews to complement its own surveys. The statement reads that Vattenfall follows the law and wants to do good and fair business in the country. Vattenfall says that the vast majority of the farmers and other stakeholders are happy with the way BRF is conducting business. It is aware of minor grievances from a few farmers, and that these are being looked into. Vattenfall reiterated its commitment to sustainable development, saying that nothing is perfect from the beginning and that everybody has to cooperate in a process of ongoing improvements.⁵⁷

Ten days after Åsa Romson's question, the Swedish Minister Gunilla Carlsson gave a written answer in parliament. She stated that BRF have directly employed approximately 750 Liberians and that in 2010 the company paid more than USD 1m in taxes and fees to Liberia.

⁵² E-mail from the Market Assistant, Swedfund, to SOMO, 18-10-12.

⁵³ Telephone interview with the Senior Investment Manager and the Manager ESG Affairs, Swedfund. conducted by Swedwatch. 24-10-12.

⁵⁴ SOMO and Green Advocates, *Burning Rubber: Buchanan Renewables' impacts on sustainable development in Liberia*, November 2011, http://somo.nl/publications-en/Publication_3715 (04-01-12).

⁵⁵ Sveriges Riksdag, "Swedfunds investeringar i Liberia", Skriftlig fråga 2011/12:130, 10-11-2011, http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Fragor-for-skriftliga-svar/Swedfunds-investeringar-i-Libe_GZ11130/ (01-03-13).

⁵⁶ Nyheterna, "Statliga bolag utnyttjar bönder i Liberia", News report on TV4 Sweden, 13-11-11, http://www.tv4play.se/program/nyheterna?video_id=2095478 (01-03-13).

⁵⁷ Vattenfall press release, "Vi vill göra en både bra och rättvis affär i Liberia", 18-11-11 <http://newsroom.vattenfall.se/2011/11/18/%e2%80%9dvi-vill-gora-en-bade-bra-och-rattvis-affar-i-liberia%e2%80%9d/> (01-03-13).



She also claimed that BRF is contributing to revitalising the Liberian rubber industry and the replanting of rubber trees. Furthermore Carlsson highlighted that BRF had already taken steps to ensure that the grievances in the report are being dealt with, that it is important that further advances are being made, and that she will follow this closely, in consultation with Swedfund. The Swedish government stressed the point that Swedfund's operations should contribute to poverty alleviation and sustainable development.⁵⁸

Swedfund currently says that it has not done any research of its own after 'Burning Rubber' was published but raised its 'concerns through the Board and management of BRF'.⁵⁹ Swedfund staff did go to Liberia and visited BRF in the beginning of 2012.

Fredrik Wijkander, Swedfund Senior Investment Manager, who also went to Liberia just after Swedfund's decision to invest in 2010, says: '*Swedfund got confirmation that everything was working well, and we got to meet everybody we wanted to see*'.⁶⁰ This did not include Swedfund requesting to meet any of the farmers whose complaints were documented in 'Burning Rubber'.

According to Swedfund, even though it did not carry out any surveys it always writes travel logs when visiting projects but these are not public and cannot be disclosed.⁶¹

Ivo Banek, Head of Media Relations at Vattenfall, says that Vattenfall had already started to address the problems raised by SOMO and Green Advocates by the time SOMO was drafting the 2011 'Burning Rubber' report.⁶² It took the recommendations seriously, and BRF has since enhanced its consultation with the smallholder farmers and the charcoal union.⁶³

Chapter 3 of the present report details the developments regarding BR's relations with smallholder farmers following the publication of 'Burning Rubber'.

2.5. Leaving Liberia

On 3 May 2012, Vattenfall unexpectedly announced in its Q1 report that it is selling its 30% interest back to BRF who own the remaining 70%. A few days later it turned out that on the very same day, 3 May, Vattenfall bought Swedfund's part of the shares for €10 million, the same amount Swedfund invested, thus Swedfund did not lose any money on

⁵⁸ Sveriges Riksdag, "Swedfunds investeringar i Liberia", Svar på skriftlig fråga 2011/12:130, 22-11-2011, [http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/Swedfunds-investeringar-i-Libe_GZ12130/\(01-03-13\)](http://www.riksdagen.se/sv/Dokument-Lagar/Fragor-och-anmalningar/Svar-pa-skriftliga-fragor/Swedfunds-investeringar-i-Libe_GZ12130/(01-03-13)).

⁵⁹ Swedfund comments on a draft version of this report, email received 01-02-13.

⁶⁰ Telephone interview with the Senior Investment Manager and the Manager ESG Affairs, Swedfund. conducted by Swedwatch. 24-10-12.

⁶¹ Ibid.

⁶² Telephone interview with the Head of Media Relations, Vattenfall. conducted by Swedwatch. 29-10-12.

⁶³ E-mail from the Head of Media Relations, Vattenfall, to Swedwatch, 06-11-12.

the project. Due to the sale, Vattenfall recognised an impairment loss of SEK 1,341m (€ 155m) in its Q1 report.⁶⁴

In a press statement Swedfund said that its intention was a long-term commitment, and that it was Vattenfall's decision to buy Swedfund out. Swedfund also stated:

'BRF will continue to run and develop the business and establish new goals that reflect local conditions. The business will henceforth operate in accordance with current CSR standards'.⁶⁵

During a telephone interview with Vattenfall conducted by Swedwatch on 29 October 2012, the following reason was given for Vattenfall selling its shares in BRF and leaving Liberia:

'We entered into Liberia on a business case, on the assumption that we could get enough quantities of biomass. But the business case has not developed as wanted, we saw that in autumn last year [2011]. In discussions with BRF we concluded that we couldn't get enough quantities for several reasons, which included problems with infrastructure, equipment, and local organisation. As a minority shareholder you are also in a special position. If you want to change things it is important to have management control. We underestimated the challenges'.⁶⁶

In an e-mail a week later Vattenfall elaborated:

'The long term viability analyses made in the first quarter of 2012 by the Company [BRF] and the shareholders confirmed that the original business case was no longer realistic'.⁶⁷

According to Vattenfall, different options were considered before the decision was made to leave Liberia. In consultation with BRF and Swedfund, discussions took place about possible increases of production, or if the whole operation should be closed down, or could be developed in any other way. After considering the consequences of the various options it was decided that the best option would be for BRF to continue its operation without Vattenfall and with new goals, defined by BRF. Vattenfall's understanding at the time was that BRF wanted to continue the operations. There was a dialogue about this with BRF, but what was said or what goals BRF may have communicated to Vattenfall is

⁶⁴ Vattenfall, *Interim Report January – March 2012*, May 2012, http://www.vattenfall.com/en/file/Q1-2012-Report_20590608.pdf (01-03-13) p.3.

⁶⁵ Swedfund press release, "Vattenfall buys Swedfund's share of Vattenfall Biomass Liberia AB", 09-05-12, <http://www.swedfund.se/en/?artikel=vattenfall-buys-swedfund%E2%80%99s-share-of-vattenfall-biomass-liberia-ab> (01-03-13).

⁶⁶ Telephone interview with the Head of Media Relations, Vattenfall. conducted by Swedwatch, 29-10-12.

⁶⁷ E-mail from the Head of Media Relations, Vattenfall to Swedwatch, 06-11-12.



confidential and Vattenfall would not elaborate. According to Vattenfall, the management of Vattenfall also made the decision that Swedfund should not lose any money because of Vattenfall's decision to divest.⁶⁸

Neither Vattenfall nor Swedfund have conducted any due diligence to ensure that local Liberian stakeholders were not negatively affected by their decision to divest and leave BRF and Liberia. In a telephone interview Vattenfall says:

*'As a minority shareholder you can't tell the majority shareholder what to do. Buchanan Renewables was going to redefine the goals. As a minority shareholder, who is exiting, it is difficult to get any assurances, but our understanding was that Buchanan wanted to continue. Yes, we did have a dialogue, but what was said is confidential.'*⁶⁹

In an e-mail response to questions regarding its exit strategy and if any due diligence was conducted, Vattenfall reiterated that its engagement was a business project, and when that project did not work out there was no longer any reason for Vattenfall to be a long term owner. Vattenfall made an active choice to divest, and the continuation of the project after Vattenfall's exit is the responsibility of the majority owner. All material, logistics and infrastructure invested by Vattenfall in Liberia is now being used on the ground by BRF, and decisions on how to continue the project are the responsibility of BRF. Since the exit from BRF, Vattenfall no longer has any presence in Liberia and no longer follows developments there.⁷⁰

Swedfund says that its exit was from Vattenfall and at Vattenfall's request. Swedfund would have wanted a longer engagement in Liberia, but the decision was Vattenfall's to make. It did have a consultation with Vattenfall but cannot disclose what was said or planned.⁷¹ Swedfund does, however, claim that it voiced concerns regarding adherence to CSR standards and claims that it 'received the verbal commitment from Vattenfall that they would include this in their exit towards BRF'.⁷²

The situation at BRF's operations today is unknown to Swedfund. When asked about its own statement – 'the business will henceforth operate in accordance with current CSR standards' (cited above) - Swedfund says: *'It was more of a hope or expectation that was expressed. You have to ask Vattenfall what assurances it got. We don't know what, assurances Vattenfall got from BRF.'*⁷³

⁶⁸ Telephone interview with the Head of Media Relations, Vattenfall. conducted by Swedwatch, 29-10-12.

⁶⁹ Ibid

⁷⁰ E-mail from the Head of Media Relations, Vattenfall to Swedwatch, 06-11-12.

⁷¹ Telephone interview with the Senior Investment Manager and the Manager ESG Affairs, Swedfund. conducted by Swedwatch. 24-10-12.

⁷² Swedfund comments on a draft version of this report, email received 01-02-13.

⁷³ Ibid

Swedfund has not made any follow-ups after divesting, but has initiated a process to review these procedures to possibly extend beyond the period of investment.⁷⁴

Vattenfall concludes that it is improbable that it will invest in Africa or developing countries within the foreseeable future. Vattenfall knows the European market, and find it hard to understand and work in Africa. One lesson it has learned is that it would be important for Vattenfall to be in managerial control of a project before investing in it.⁷⁵ Currently Vattenfall is engaged in developing biomass sourcing projects in Canada and the USA.⁷⁶

⁷⁴ Telephone interview with the Senior Investment Manager and the Manager ESG Affairs, Swedfund, conducted by Swedwatch, 24-10-12 and 28-01-13.

⁷⁵ Telephone interview with the Head of Media Relations, Vattenfall. conducted by Swedwatch, 29-10-12.

⁷⁶ E-mail from the Head of Media Relations, Vattenfall to Swedwatch, 06-11-12.



3. The impacts on smallholder farmers in Grand Bassa County

Written by SOMO

In 'Burning Rubber', SOMO and Green Advocates describe the issues faced by a number of smallholder farmers that had agreed to let BR clear their farms of old rubber trees, and replace them with newly planted trees.

During a Participatory Rural Appraisal (PRA) meeting held in June 2011, the farmers present, representing nine different farms, indicated that they had difficulties sustaining their livelihoods as a direct consequence of their engagement with BR. This was due to lower payments than the farmers had expected or agreed upon, as well as the destruction of their farms due to a lack of proper maintenance after the young trees were planted. At the PRA meeting, the farmers established the 'BRE Affected Farmers Union' and formulated a set of demands towards the company. 'Burning Rubber' also describes how, after the PRA meeting, BR had recommenced engagement with the farmers through a series of town hall meetings.

This chapter describes the developments in the smallholder farmers' situation since the publication of 'Burning Rubber', and specifically focuses on the developments that have taken place since the divestment of Vattenfall and Swedfund. Unless otherwise noted, all information in this chapter was gathered during the interviews and farm visits between 27-30 October 2012. More information on all farms visited and farmers interviewed can be found in the methodology section of Chapter 1. The methodology of the present research, whereby farmers were actively approached and two-thirds of all smallholder farms were included, allows for the generalisation of findings.

Table 2 (next page) shows a rough timeline of developments during the course of the research for 'Burning Rubber' and the period following publication.

Table 2: Timeline of events concerning BR and smallholder farmers in Grand Bassa

Date	Event
2008-2011	Removal of old trees and replanting of new trees on smallholder rubber farms in Grand Bassa.
June 2011	Participatory Rural Appraisal organised by Green Advocates and SOMO where several smallholder farmers voice their grievances over their relation with BR. The BRE Affected Farmer's Union is established.
July-November 2011	Recommencement of engagement between BR and the smallholder farmers: Recognition of the farmer's union: BR takes a number of steps to address farmers' concerns.
November 2011	Publication of Burning Rubber.
December 2011	Visual confirmation by Green Advocates that a number of old trees had been removed from one of the farms.
August 2011-April 2012	Regular monthly meetings take place between BR and the smallholder farmers, during which concerns of farmers are discussed. Some concerns are adequately addressed while others remain unresolved.
April 2012	During the last meeting between BR and the farmers, packages of farm rejuvenation are presented to the farmers, including the option of loans to cover the costs of maintenance.
May 2012	Vattenfall announces its divestment of BR Fuel.
July-September 2012	BR approaches all farmers to terminate their contracts. Several farmers later indicate that they felt they had no choice but to sign these papers.
October 2012	Interviews conducted by SOMO and Green Advocates with BR and smallholder farmers show that many face difficulties continuing the maintenance of their farms.

3.1. Several improvements

Interviews with the smallholder farmers, discussions with BR staff and an analysis of available documents show that a number of improvements did take place after the PRA meeting in June 2011 and the publication of 'Burning Rubber' in November 2011. These improvements are related to the level of engagement between the company and the farmers, as well as to a number of concrete steps taken by the company to address the issues raised by the farmers. This section is based on information from seven different farms, all of which were also included in the 'Burning Rubber' report and who were represented at the June 2011 PRA meeting.

At the PRA meeting, the 'BRE affected farmers union' was formed, and a president and vice-president were appointed. During the visit to the farmers for this report, it became clear that the president (Gabriel Browne) and the vice-president (James Glay) are still recognised as the representatives of the farmers. These two farmers were given the responsibility to patrol all farms and ensure that proper maintenance took place. They represented the farmers in the newly established Farmers Grievance Committee, which also included BR representatives and civil society.



'Burning Rubber' describes how, while at the PRA the farmers indicated that they had not been in contact with the company for approximately two years, several meetings had been organised by BR since then.⁷⁷ In a meeting between BR and the smallholder farmers in November 2011, around the time of the publication of Burning Rubber, the union was recognised by BR as representing the farmers, and it was agreed that there would be meetings between the company and the farmers on the 15th of each month.

The minutes that are available for the meetings held between August 2011 - April 2012 (and in some cases the lists of participating farmers) indicate that these meetings did take place, and that a number of issues which also arose at the PRA meeting were discussed. For example, the meeting in January 2012 discussed the issue of outstanding payments for the Gongar farm, as well as the issue of the dumped rotten woodchips on several farms, both issues that also were raised at the PRA in June 2011. In February 2012, the meeting also discussed several other recent developments, such as the destruction of a large number of trees due to fires in the region.⁷⁸

Visits to the farms and interviews with the farmers made clear that these ongoing discussions had led to practical improvements as well. On a number of farms, the maintenance was picked up as BR had regularly sent teams of workers to clear the weeds from the farm to ensure proper growth of the young rubber trees. Four of the interviewed farmers indicated that regular maintenance of their farms had been carried out, while there was no such maintenance before the June 2011 meeting.

In the case of one farmer, one of the issues he was facing was the fact that several of his old trees had been felled but never removed from his farm. This was brought to the attention of BR in the course of last year's research, and BR has since made a compensation payment for these trees of \$375.⁷⁹

It should be noted that the 474 trees themselves are still on the farm and have not been removed. In another case, that of the Holt farms, BR did remove half of the 3,000 trees that it had left on the farm, as was indicated by the farmers and visually confirmed by the Green Advocates during a visit to the farm in December 2011. In a response to a draft version of this report, BR suggested that the farmers may be able to use the felled trees for charcoal production, but it is unclear whether this option has ever been discussed with any of the farmers.

Finally, another step taken by the company since the June 2011 PRA meeting has been to spread out some of the woodchips it had piled on a number of farms in 2011. BR had

⁷⁷ SOMO & Green Advocates, *Burning rubber: Buchanan Renewables' impact on Sustainable Development in Liberia*, November 2011, http://somo.nl/publications-nl/Publication_3715-nl (04-01-13), p.40.

⁷⁸ Farmers' Forum meeting minutes, February 15th 2012.

⁷⁹ The fact that they payment was made was pointed out by both BR and the farmer. The value of the compensation was only provided by the farmer.

indicated that these chips would function as mulch to enhance the growth of the young rubber trees, but several farmers had complained that these chips attracted stinging ants and polluted their sources of drinking water.

BR indicated that it had spread out those piles of woodchips that are close to water sources, to ensure that any residue would be taken up by the soil before entering underground water sources. This practice was visually confirmed at the two of the visited farms.

It should also be noted that some of the farmers were still complaining about the presence of these chips, as the presence of stinging ants was still creating difficulties, while others believed that these chips hampered the growth of the rubber trees. The scope of the present research did not allow for further analysis of the exact effects of these woodchips on water quality or on the presence of ants.



Several farmers complained about the presence of stinging ants, attracted by the piles of old woodchips placed on the farms by BR in 2011. Photo taken at the Barchue farm.



3.2. Unresolved issues

In an interview with BR representatives, the company indicated that there are currently no unresolved issues between the farmers and the company. However, several farmers indicate that a number of issues that have been addressed at the PRA and other meetings have never been properly resolved. In addition, a number of issues that had not been mentioned at prior meetings emerged in the year following publication of 'Burning Rubber'. In total, 9 of the 23 farms inspected for the research still have one or more unresolved issues with BR. Five of these nine farmers had already voiced their complaints during the 2011 PRA meeting and were included in 'Burning Rubber'.

For example, 'Burning Rubber' described a number of instances where outstanding payments had not been made by BR. This same issue came up again in discussions with four farmers interviewed for the present report. In the case of one farmer, the dispute concerned the total number of old trees felled by BR, which he believed exceeded the amount for which he was paid. In the case of another, the farmer's contract with BR states a total of 2,500 trees but he only received payments for 938 trees. The farmer indicates that all of his old trees were felled by BR and removed from his farm. In both cases, the farmers indicate that the payment issues have been discussed with BR, and that the company has told them it will not make these payments.

In the case of a third farmer, the outstanding payments relate to trees that were felled but never removed from her farm. This issue was also discussed at a meeting between BR and the farmers in January 2012. The minutes of this meeting indicate that this issue would be followed up by BR managers, but it is unclear what the outcome has been.⁸⁰ The farmer indicated that she was never compensated for these trees, and the authors of this report have witnessed trees still lying in her farm, completely overgrown by weeds.

Another issue relates to the replanting of young trees that have died due to various reasons. For example, some trees were eaten by wildlife, such as groundhogs or red deer, and others were destroyed by fires during the dry season. Another problem was the cover grass, planted to reduce the growth of weeds, but when not properly maintained also responsible for killing young rubber trees on farms. A number of farmers indicated that BR had agreed to replant new young trees to replace those that had died but had never done so.

This was the case for four farms. In one case, BR had actually stated during an interview with the authors that this farm had been replanted in August 2012. However, according to the farmer, this had never taken place. A visit to his farm showed that there are currently no young trees on his property. It should be noted that on at least one other farm BR did replace the young trees that had died.

⁸⁰ Farmers' Forum meeting minutes/progress, January 2012.

Cut and Run

An update on the impacts of Buchanan Renewables' operations and Vattenfall's divestment



If not properly maintained, the cover grass will creep up the young rubber trees, and eventually kill them. Photo taken at the Richard Wheghar farm.



Young rubber trees are regularly damaged by wildlife that eats the leaves and retards the growth of the trees. Photo taken at the Nathan Horace farm.



A visit to the Kangar farm of James Glay showed that there are currently no young rubber trees on his farm.

With regard to the maintenance of the farms, BR seemed to have used two methods to conduct maintenance activities. At some farms, the company would send a crew of several dozen workers every few months to clear the area of weeds and bushes, while at other farms BR would hire staff to maintain the fields on a permanent basis. Several farmers complained that in the latter case, the number of people hired by BR was not enough to maintain the whole farm. According to the list of farms that BR provided to the farmers, the company would hire between one and four people, depending on the size of the farm. According to one farmer, at least three people were required to maintain his farm of 20 acres, while BR only paid a single staff member (for a total period of three months) for his particular farm.⁸¹

Finally, farmers reported that BR's operations have had an impact on drinking water used by communities that live at or near two of the visited farms. At one farm, the caretakers of the farm indicated that the uprooting of old trees blocked the flow of a source of drinking water and that BR had promised to fix this problem, but never did. In the second case, the caretaker explained that the old trees were shredded into woodchips on site, but these chips were never removed. Rainwater that seeped through these chips has reportedly discoloured the surface water, which was a source of drinking water for the more than 70 people residing on the farm. The water was also reported to have a foul smell and some of the children had fallen ill after drinking. The community

⁸¹ List of farms, planting and maintenance details, copy provided by James Glay, signed 15-11-11.

had made a request for BR to provide them with a hand pump, but the company never did.

3.3. Termination of contracts

The most significant development regarding BR's engagement with the farmers took place between July and September 2012, during which time the company terminated all contracts with the farmers. According to BR, this strategic decision was taken by the company in order to focus more on its power plant activities. A spokesperson explained that the termination of the contracts had been decided upon in conjunction with the farmers, and that the company made an effort to ensure that the farmers understood the text of the termination contract. It was also made clear by BR that any potential negative consequences arising from this decision would need to be addressed. BR did not confirm that this decision has been made as a consequence of Vattenfall's decision to divest in May 2012.

The contract termination letters received by the farmers all begin by stating that BR has 'exceeded its contractual responsibilities', and that it has replanted and maintained the farms. The letter further states that:

'As a result of this work, whereas before you had a redundant farm, today you possess a development which can, if properly cared for and managed, generate substantial income for you into the future'. (...) 'Buchanan Renewables finds it very difficult to continue providing these services due to circumstances beyond its control.'

The letter requests from the farmers to consider the letter as a formal termination of the contract between BR and the farmer.

The farmers related different perspectives and experiences regarding the process of terminating the contracts. Several farmers indicated that they felt they did not have a choice but to sign the termination contract, even if they did not agree with the fact that BR would no longer maintain their farms.

One farmer indicated that there was no room for negotiation regarding the conditions of termination, as he was told that BR's management had already decided on the text of the termination agreement. Several other farmers were told that BR would not return to their farms regardless of whether the farmers signed the contract, so they might as well agree to have the formal control of the farm returned to them. They were told that any legal steps against this decision would be futile, and a waste of time. In another case, the farmer refused to sign the termination papers, after which BR returned several times to persuade her. She refused to sign as she believed that BR still owed her outstanding payments for trees felled but not removed. Only after the fourth time that BR asked her



to sign the termination papers, and having been told that all the other farmers had done so already, she felt she had no other choice but to sign the papers.

This research has identified three farmers who indicate they have not yet signed this termination agreement. One farmer, whose father had signed the original contract with BR, refused to sign the termination agreement as he felt he was entitled to seven years of maintenance of his farm, and he had been discontent with the level of maintenance conducted so far. After refusing to sign the contract, he has not heard back from BR, nor has his farm been maintained since.

According to the son of another farmer, the termination papers have not been signed as BR still needed to fulfil its commitment to replant 1,000 trees that had died because they had been planted during the wrong time of the year, the dry season. The farmer would agree on the conditions of termination after this replanting had been completed. A final farmer indicated that he had not yet been approached by BR with the termination papers for his personal farm.

Future maintenance

The young trees that BR planted at the smallholder farms are now all between one and four years old. These trees start producing latex after approximately seven years. During this period, the farms require active maintenance to remove weeds that might retard the growth of young rubber trees, or eventually kill them. The trees that BR has planted would need at least between three and six more years of maintenance, and possibly more due to retardation of growth. Retardation can be caused by various issues, including cover grass, or weeds, creeping up the young trees and damage done by animals. As BR has officially terminated the contracts with the farmers, this maintenance is now the responsibility of the farmers themselves.

The farmers are now faced with the challenge to cover the costs of maintenance of trees that are not yet generating any income. According to the interviewed farmers, maintenance would require the hiring of a staff of five to seven persons on a regular basis to remove the growing weeds at an average-sized farm. Almost all of the farms visited during the course of this research were already in need of maintenance, as weeds were rapidly overgrowing the young rubber trees, and would therefore require more even more maintenance than usual.

Almost all of the interviewed farmers indicated that they do not have the financial means to pay for such maintenance. As a consequence, their farms will most likely not continue to be maintained, and the newly planted rubber trees will die before having produced any rubber, leaving several of the farmers without a viable source of income.

During the interviews with the farmers, several different coping strategies were mentioned. Some farmers do have the financial means to cover the costs of these additional years of maintenance, and seem to be more understanding of the fact that BR

has left. Other farmers indicate that they will be forced to sell their farm as they are not able to maintain it, or will try to find other firms to assist in the maintenance and sharing of the costs.

Still others indicate that they will try to generate money through the smaller plots of rubber trees that they had planted themselves a few years prior to the arrival of BR.

Some of the farmers interviewed have already moved on to other forms of income, either through growing other crops instead of or besides rubber, such as cassava, oil palms or rice; by producing charcoal; or by taking up other professions in the town of Buchanan. For example, one of the farm owners now sells goods at the market in Buchanan, while another works as a security guard at the site of BR. Another farmer is currently unemployed. All of these farmers indicated that their lives are currently more difficult than before the arrival of BR, when they were harvesting latex from the old trees that BR has removed, and they indicate that they are not able to take care of their farms.

In all of these cases, it is probable that the farms will become completely overgrown and inaccessible.



Trees felled by BR have never been removed from Marthalyne Gongar's farm.



3.4. Farmbuilders' loan scheme

During the review procedure of 'Burning Rubber', when BR was given the opportunity to respond to a draft version of the report, the company indicated that it had supported the creation of a social enterprise called Farmbuilders.⁸² BR indicated at the time that all farmers under contract with BR were given the opportunity to participate in the Farmbuilders programme. Farmbuilders aims to help 'farmers in Liberia create successful businesses while meeting the scalability and sustainability needs of buyers and financial partners.'⁸³

During the last meeting between BR, Farmbuilders and the farmers in April 2012, Farmbuilders introduced its Package for Farm Rejuvenation to the farmers. This package contained three different options: the purchase and removal of old rubber wood; the provision of loans and financial assistance; and a farm development agreement. Interviewed farmers expressed a particular interest in the financial assistance proposal of Farmbuilders, which would consist of loans for which the farmers would only pay interest during the first seven years after new trees were planted, and the repayment of the principle after the farm has become productive. Several farmers expressed that this would help them maintain the farms until the trees are mature, and that it would offer a much needed solution to the situation that was created after BR handed the farms back to the farmers.

To date, none of the interviewed farmers have made use of this loan scheme. Several farmers indicated that they were not aware of this option, while other farmers had been informed during a meeting in April 2012, but have not been able to make use of it as Farmbuilders have not followed up on these plans. Several farmers explicitly stated their interest in such a scheme, especially now that maintenance of their farms is their own responsibility. It should be noted that concerns have already been raised by Global Utmaning, a Swedish think tank, about the potentially high interest rates of such loans, given that the commercial rates in Liberia are currently 14%.⁸⁴ It is clear that any assistance that might be provided to these farmers, especially given the fact that they are currently bearing high costs due to BR's termination of the contracts, would need to include an interest rate that is tenable for the farmers, and does not lead to additional financial burdens.

⁸² Buchanan Renewables response to draft report by SOMO and Green Advocates entitled 'Burning Rubber', letter received via email, 23-09-11.

⁸³ Farmbuilders website, Homepage, <http://www.farmbuilders.org/> (01-03-13).

⁸⁴ Forestry for Development, *How bioenergy projects in Sub-Saharan Africa can reduce climate impact, fight poverty and make money*, May 2012, <http://sverigesradio.se/diverse/appdata/isidor/files/83/12299.pdf> (01-03-13), p.66.

4. Charcoal producers at the Freeman Reserve

Written by Green Advocates

This chapter discusses the developments of the conditions of the charcoal producers at and around the Firestone estate, where BR has been harvesting rubber trees. 'Burning rubber' described how BR's removal of old trees from the Firestone estate had increased hardships among the local charcoal producers and charcoal traders, as a portion of these old trees had traditionally been used for the production of charcoal. Gathering the needed wood for charcoal production had become more difficult and the relations between the charcoal producers and Firestone had deteriorated. 'Burning Rubber' further revealed how BR had a memorandum of understanding (MoU) with the National Charcoal Union of Liberia (NACUL) to address the challenges faced by the charcoal producers, but that BR failed to live up to the provisions of this MoU.

Over 20,000 bags of charcoal were produced, monthly, at Firestone Concession before BR's arrival. The National Charcoal Union of Liberia recalls that before BR's arrival, Firestone collected no fees from charcoalers to gather rubber wood. No formal agreement was signed between Firestone and the charcoalers.

4.1. Recent steps taken by the National Charcoal Union of Liberia

Engagement between BR and NACUL has improved over the last year, as was confirmed during interviews with both parties. Recent updates on the work of NACUL and its relation with BR include 1) renewed attention from BR for charcoalers, 2) the expressed willingness by the Forestry Development Authority (FDA) to help the charcoalers initiate reforestation and to grow trees specifically for charcoal production, and 3) the publication of a report by the Multilateral Investment Guarantee Agency (MIGA) in January 2012.

Renewed attention by BR

BR reached out to the charcoalers and assisted with the building of an office space for the NACUL. The office was completed in October 2012. Having an office is a big relief for the union that is striving to effectively coordinate the activities of its members across Liberia.



BR and charcoalers also discussed supply chain issues including a proposal that would facilitate a formalised process encouraging safe and efficient charcoaling practices within the Firestone concession. This proposal, according to BR, will ease field-related tension between the parties over access to wood left behind by Buchanan Renewables.

Willingness to cooperate of the FDA

According to Mr George Weaymie, President of the National Charcoal Union of Liberia, the charcoalers have received assurances from the FDA that they will proceed with plans to undertake reforestation in areas cleared by charcoal producers as well as invest in fast growing timber species which will be used exclusively for charcoal production. The FDA will advise on the ideal timber species to grow based on the Liberian context. In some places ten or more hectares of land have been cleared by charcoalers. The long term goal is to identify alternative sources of wood for charcoal production besides the natural forests and rubber wood. A project site will be identified by the FDA for the pilot exercise.

The Union is happy about this development. 'This level of planning is good for us. We need to look into the future about how to sustain charcoal production in Liberia. We want to produce charcoal while, also, saving the environment. The good news is that all the stakeholders including the FDA support this idea', Mr Weaymie concluded.⁸⁵

Meeting and report by MIGA

In late January 2012, the World Bank Group's Multilateral Investment Guarantee Agency (MIGA) and the Forestry Development Authority of Liberia hosted a workshop that included a discussion of the challenges and opportunities facing Liberia's charcoal sector, presentations of ongoing work in the sector, and development of recommendations for next steps to assess and address challenges and opportunities in the sector. This workshop was part of a process that resulted in the publication of a report on 30 January 2012.⁸⁶

The National Charcoal Union of Liberia attended the workshop but disagreed on the findings and conclusions in the report that 'there is no discernible causal link between BR's activities and current consumer charcoal price'.⁸⁷ The Union further informed Green Advocates and SOMO, in Monrovia, that its position and comments on the matter had been omitted from the MIGA report. 'I was really shocked to find that our comments and position were omitted,' Mr Weaymie concluded. In its position, the Union points to the escalation in the price of standing rubber tree and a bag of charcoal since BR's arrival.

⁸⁵ Interview with NACUL, conducted by SOMO & Green Advocates, 26-10-12.

⁸⁶ MIGA, *Overview of Harvesting Non-Productive Rubber Trees & Charcoal Production in Liberia*, 31-01-12, http://www.miga.org/documents/Overview_of_RubberWood_and_Charcoal_in_Liberia.pdf (01-03-13).

⁸⁷ Idem. p.7.

4.2. Field visit to Freeman Reserve

This section describes the key findings and conclusions from the field visits to charcoal production sites near Freeman Reserve (see methodology section of Chapter 1).

Currently, three sources of wood are used for charcoal production at Freeman Reserve and its environs: a) rubber wood left behind by Buchanan Renewables; b) natural forest; and c) private farms (containing both rubber and natural wood).

Rubber wood left behind by Buchanan Renewables

Charcoalers have been closely following Buchanan Renewables to gather wood left behind after clearance of 'old' rubber trees to make way for replanting or rejuvenation. Divisions 18, 16, 14 and 5 are among the recent areas of BR's operations on the Firestone estate.

During the removal of trees, BR leaves behind 75% of the branches for charcoalers.⁸⁸ The charcoalers are not happy about this decision. According to Mr Richard T. A. Dorbor, Vice President for Operation of the National Charcoal Union of Liberia:

'BR should leave more behind than just '75% of branches'. The stem and main branches of the trees are the most productive in charcoal production. The smaller branches are negligible. We use them to light the bigger trees. Their role is to facilitate "fine-burning" when carefully scattered among the parked pieces of wood'.⁸⁹

In BR's experience, on the other hand, charcoalers are using residue and branches of significant length and diameter to produce charcoal.⁹⁰ According to Dorbor:

'This is where the competition is still very tough between BR and the charcoalers. We need the same parts of the trees – the stems, etc. – for quality production of charcoal or woodchips. But BR is taking these quality portions of the trees and leaving us only branches. We need to address this tension by being very frank in our discussions and interactions with BR. The message is simple. To produce quality charcoal and retain some benefits, charcoalers equally need standing trees with all the parts'.

Dorbor recalls that before BR's arrival, Firestone freely allowed charcoalers to remove all the trees – trunks, stems, etc.

⁸⁸ Interview with Buchanan Renewables representatives, conducted by SOMO & Green Advocates, 26-10-12.

⁸⁹ Interview with the Vice President for Operations, NACUL, conducted by Green Advocates, 11-11-12.

⁹⁰ Buchanan Renewables comments on a draft version of this report, email received 31-01-13.



In the meeting with SOMO and Green Advocates, BR noted that it applies 'zero tolerance' to the collections of fees by field staff for wood left behind in the fields and that this wood left behind is sufficient and adequate to sustain the local charcoal industry. According to BR there are no grounds for concerns expressed by the National Charcoal Union of Liberia, Green Advocates and SOMO over the scarcity of wood for charcoal production.⁹¹

Charcoalers have been paying for wood left behind by BR's field operators. BR maintains that the wood left behind is free and no fees are charged to collect them. The reports from the field, however, paint a different picture. Some charcoalers indicate that they have been paying as much as LD\$ 900.00 per pile of wood left in the fields. The amount to be paid per charcoaler is determined by the size of the pile. This amount is actually paid under the table and has not been accompanied by receipts. The designated field officer collects this amount in the field.

Some charcoalers following BR at the Firestone concession are facing difficulties. If they continue to struggle to make a profit while following BR, some of the current followers would be compelled to equally turn to natural forests and private farms for rubber woods.

James Paye, a community leader at the Freeman Reserve, followed BR at Division 16 and then bought a pile of wood from BR at LD\$ 900.00 (US\$ 12.90).⁹² For the past months he has not followed BR around. During the interview, James became abnormally quiet after a joint calculation of production cost and overall sales. The result was very discouraging. He had recorded no profit but operated at a loss. Charcoalers are living with marginal profits but those interviewed maintain that this is due to the lack of jobs, love of profession and love of country.

In this example, James invested an overall amount of LD\$ 6,445.00 or US\$ 92.10. This amount includes the LD\$ 900.00 or US\$ 12.90 for the pile of wood sold to him by BR. He obtained a total of 35 bags of charcoal, of which 33 were sold at the production site at LD\$ 175.00 or US\$ 2.50 each. Two (2) bags were freely given out to his helper who packed the charcoal into the bags.

The total sales amount was LD\$ 5,775.00 or US\$ 82.50. The difference between overall cost of production, US\$ 92.10, and overall sales, US\$ 82.50, stood at US \$9.60. The figures for activities such as hauling, raking and picking were calculated based on common payment patterns among charcoalers.

⁹¹ Interview with Buchanan Renewables representatives, conducted by SOMO & Green Advocates, 26-11-12.

⁹² The rate of conversion is LD\$70.00 to US\$1.00

Table 1: Sample profit calculations using wood left behind by BR, based on discussions with James Paye, Freeman Reserve

No	Activity	Amount
1.	Price of one pile of rubber wood left behind by BR	LD\$ 900.00
2.	Cross-cutting of wood for burning	LD\$ 470.00
3.	Parking of wood for burning*	LD\$ 200.00
4.	Hauling of pieces of wood for burning	LD\$ 150.00
5.	Grass to spread over wood before burning	LD\$ 900.00
6.	Food for five (5) helpers hauling grass	LD\$ 350.00
7.	Raking of charcoal for bagging	LD\$ 1000.00
8.	Food for self for offing and picking charcoal for four days**	LD\$ 1,200.00
9.	Picking charcoal to put in bags***	LD\$ 350.00
10.	Tying of 35 charcoal bags @ LD\$ 5.00 each	LD\$ 175.00
11.	Hauling of 35 charcoal bags to road-side landing @ LD\$ 5.00 each	LD\$ 175.00
12.	Gasoline	LD\$ 300.00****
13.	Two (2) bottles of lubricant (clean oil) for chainsaw	LD\$ 100.00
14.	One (1) bottle of lubricant (black or dirty oil) for chainsaw*****	LD\$ 25.00
15.	Food for chainsaw operator	LD\$ 150.00
	Cost of production	LD\$ 6,445.00/ US\$ 92.10
	Overall sales of 33 bags of charcoal (i.e. excluding 2 bags already given out to helper)	LD\$ 5,775.00/ US\$ 82.50
	Total deficit after deducting production cost	LD\$ 670.00/ US\$ 9.60

* 'Parking of wood' means arranging or strategically placing the cut pieces of wood before burning. Here, the size of the oven is determined.

** James only included food here because he had helpers otherwise he would pay for their services. 'Offing' means bringing the charcoal to landing by springing water on charcoal which is still considered be blazing.

*** There's a fixed system agreed with all charcoal producers. For every twenty (20) bags of charcoal from picking, the contractor is freely entitled to a bag of charcoal. James gave out two (2) bags because the remaining fifteen (15) bags is equivalent to one bag. This calculation is common practice among charcoalers.

**** This amount means not a complete gallon of gasoline was used.

***** The 'black oil' is rubbed on the chain saw for ease of cutting. The 'Clean oil' is used in the engine as lubricant.

In response to a draft version of this report, BR has stressed that any payment of fees for charcoal would not be in line with BR's policies.⁹³

Charcoalers have argued about the inadequacy of wood left behind by BR and have decided to use natural forests to produce charcoal. There's often a scramble for available wood. The overall volume of wood left behind by BR is reported to be very negligible.

⁹³ Buchanan Renewables comments on a draft version of this report, email received 31-01-13.



According to some experienced charcoalers, for every block of rubber farm (totalling about 6,000 trees) cleared, the volume of wood left behind by BR can produce at most 60 bags of charcoal. About seventy (70) charcoalers are at hand, during each clearance, to grab a pile. In this scramble for wood, very few charcoalers can access this wood. For those who are able to access a pile, they often operate at a loss or with marginal profits (see Table 1). In places where fewer charcoalers are present due to the distance from Freeman Reserve, e.g. in Division 5, wood is easily accessible. According to some charcoalers interviewed at Freeman Reserve, the motivation for BR staff to sell wood is triggered by the large number of people waiting for wood left behind by Buchanan Renewables. James Paye:

'People can easily get wood when the crowd is less. But when the BRE workers see too many people waiting for wood then they will start to sell the wood per pile. They don't like to see the crowd.'

Firestone's security officers at Division 14 have also been restricting access to the remaining standing trees. Samuel Flomo, a charcoal producer (who was once a contractor at Firestone) and his wife, Baby Girl, have been ordered to stop harvesting standing rubber trees around them. Samuel stressed:

'Firestone gave these trees to BR to fell but again, the company [Firestone] has deployed contractors to tap these same trees left behind by BR.'

Samuel's wife is very ill and the family is depending on the sales of charcoal to send Baby Girl for advanced medical treatment in Monrovia.

Active tapping is ongoing in areas turned over for removal and replanting. BR cleared some of the rubber trees at Division 14 but Firestone has also hired contractors to tap trees already turned over to BR.

Firestone's contractor tappers, those hired to tap rubber trees earmarked for clearing, their wives and some of their children are reported to be claiming portions of felled and standing rubber trees left at Division 14, Firestone. They claim to have exclusive access to some of the trees left in the field. For remaining standing trees, they have told charcoalers to stay away. With the farm already turned over (to BR) for clearing, Firestone is not expected to deploy tappers to tap these standing rubber trees which are covered with bushes. Unlike other Divisions at Firestone, Division 14 appears abandoned with no maintenance of the farm. This is explained based on information that it has been marked for clearing. Fombeh Momo, charcoal producer at Division 14, mentioned the difficulties in gathering wood for charcoal. He concluded:

'We are not allowed to touch those standing trees over there. The Firestone contractor tappers have been coming to us to leave them standing. They will say "Please leave this area for us. We're in charge of tapping here".'

There is no organised structure to ensure that charcoalers can freely access wood left behind by BR. The exercise is largely discretionary and the decisions are made by BR's felling crew. During felling exercises, charcoalers interviewed noted that crew members pile wood and then negotiate the access to them with charcoalers. Interviewed charcoalers reported that some have heard that BR is against the collection of fees to access wood left behind while clearing farms at the Firestone estate. However, the team was informed that those trying to obey the orders by refusing to pay fees have no real chance of getting access to the wood left in the fields. The wood is scarce. The near scramble for available wood leaves no real room to halt the distribution and enforce the 'zero tolerance' against the collection of fees.

According to the charcoalers interviewed, the cost of production from wood left behind by BR leaves no real profit for the charcoalers (see Table 1). Benefit retention would only be assured if BR would successfully cancel all fee collections for wood left behind, and would leave some standing trees or farms for charcoal production.

The National Charcoal Union is struggling to coordinate its members' wood gathering activities for charcoal at the Firestone estate and its environs. Before, when charcoalers were gathering wood in one place at Division 21, the Union could easily reach out to them. Things have changed with many of them scattered around, gathering rubber wood at Firestone and the natural forests at Division 18, Zubah Town, etc.

The local leadership of the Union led by Madam Sarah Monorpolor is equally concerned about the coordination difficulties. 'People are asking for the Union. They want BR to stop collecting fees from them for wood. I have told them not to pay fees to BR but it is difficult. We are all scattered', she concluded.

Wood from natural forests

The National Charcoal Union of Liberia noted that about one hundred (100) charcoal producers are spread over a tract of natural forest between Freeman Reserve and the Firestone estate – a natural forest with rich timber species (such as *Abura*, *dahoma*, etc.) nearly surrounded by rubber trees. In the natural forest, each charcoaler has an area set aside for felling and burning charcoal. The boundaries are well respected. The ownership of the natural forest is still doubtful although Firestone is reportedly claiming ownership. Some charcoalers are discussing the ownership of the natural forest. Francis Konakie, a chainsaw operator, Freeman Reserve, said: *'This forest is really for the Government. Firestone is only claiming this place because we are powerless. Nobody is here to back us.'*

According to the charcoalers interviewed, the decision to harvest the nearby natural forests was due to the difficulties in accessing the rubber wood left behind by BR at Division 21 in 2010. The difficulties included that the volume of wood left behind by BR was not enough to produce charcoal, leading to a scramble over available wood and harassment and intimidation carried out by Firestone contractor security, led by ex-



fighter, Daniel K. Bracewell (DKB).⁹⁴ DKB has already been removed from duty but nevertheless charcoalers are now comfortable in the natural forest and have no plans to leave.

Some field staff at Buchanan Renewables (BR) are aware of this transition to the natural forests in Division 18, and are converting some of the felled trees into sawn wood. According to Elder Kanga Dahn, some of BR's field supervisors have reportedly been paying constant visits to the natural forests to convert some of the wood into sawn wood or planks used for construction purposes. They reportedly use force to take the wood felled by charcoalers. They do so without any form of compensation. 'We'll take the wood because we are in charge of this area,' Elder Kanga quoted one of BR's field officers who drove to the natural forest to saw wood that had been felled by Elder Kanga.

Some of the trees felled are of the high value timber species (such as *Dahoma*) which are regulated by the Forestry Development Authority (FDA). Reportedly, some BR staff has been attracted to these timber species. Mr Kangar Dahn showed two felled trees that were forcibly taken from him by some Field Supervisors from BR without any form of compensation. The research team verified the on-the-site conversion of some felled trees into sawn wood or planks using portable chainsaws. According to Mr Dahn, the BR staff took them away.

The Forestry Development Authority (FDA) is aware of the potential threats to the natural forests posed by the charcoal production and has agreed to work with the National Charcoal Union to identify a spot for the cultivation of fast growing timber species that will be used exclusively for charcoal production. The approach is meant to save the natural forests. Like other stakeholders, the FDA is concerned about any serious encroachment on the natural forests, for either woodchips or charcoal production. For now, the FDA is verifying that natural forests are not included in the woodchips exported by BR.⁹⁵

Wood from private sources

Several charcoalers are buying standing trees on private lands in Zubah Town and other places. Some of the trees are a mixture of natural and rubber trees. This is possible where rubber farms are sold along with nearby natural forests. Both are sold at the same price—LD\$ 100.00 (US\$ 1.43) per tree.

The Chairlady of the charcoalers at Freeman Reserve, Madam Sarah Monorpolor, has completely shifted her attention to private farms. Currently, she bought 20 standing trees

⁹⁴ DKB is an ex-fighter (serving as General) in the Liberian civil war. He fought for erstwhile National Patriotic Front of Liberia (NPFL) headed by former President Charles Taylor. He was hired by Firestone to protect the replanted farms cleared by BR at Division 21. However, he brought along other ex-fighters. Together, they harassed, intimidated, arrested and detained residents or charcoalers at Freeman Reserve

⁹⁵ Interview with FDA representatives, conducted by SOMO & Green Advocates, 26-11-12.

(containing rubber and natural trees) at LD\$ 1,500.00 or US\$21.43 (LD\$ 75.00 or US\$ 1.00 per tree).

According to experienced charcoalers, a mature tree can produce at least fifteen (15) bags of charcoal. For smaller standing trees, both parties – the buyer and seller – will normally agree to add an additional small tree. 'In some places, we added smaller trees,' Sarah disclosed during the interview.

Sarah confirmed that some charcoalers, including herself, have no interest in following Buchanan Renewables to gather wood due to the low profit margins. However, she believes field staff from Buchanan Renewables should not collect money from charcoal producers for accessing wood left behind.



5. The construction of the power plant and BR's corporate structure

Written by SOMO and Green Advocates

5.1. Power plant

'Burning Rubber' briefly describes the concession agreement signed between BRP and the government of Liberia regarding the construction of two power plants. These plants were to be fuelled by the biomass produced by BRF and would supply much needed electricity to the capital of Monrovia. While the concession agreement indicates that the first plant would be operational by the end of 2010, the authors found that construction had not yet started when they visited the construction site in June 2011.

The reasons for this delay seemed to be related to a price dispute for the power that the plant would provide. A Wikileaks cable indicated that BRP requested a price per kilowatt hour which would endanger the financial stability of the Liberian Electric Company (LEC), while BR indicated that the negotiations stalled after the Liberian government requested a price that was untenable for the company given the high costs of operating in Liberia.⁹⁶ The conclusion reached in 'Burning Rubber' is that in the period that BR has been active in the country the energy situation for most Liberians had worsened rather than improved.

This section gives a chronological overview of the discussions and developments that have taken place since the publication of 'Burning Rubber', relating to the plans to construct a biomass power plant.

- There have been mixed reactions among the Liberian population about the operations of Buchanan Renewables. Some have defended the company, praising the employment opportunities and the promises of electricity and relief assistance.⁹⁷ In the petition by citizens of Margibi County, published in April 2012, the petitioners called on the Margibi Legislative caucus to reintroduce the BR contractual agreement in both chambers of the Legislature, and to encourage the Executive to sign it. They added:

⁹⁶ US Embassy of Monrovia, 'Liberia: Buchanan Renewables Deal Stalls Over Price Dispute,' Diplomatic cable, October 5, 2009, Wikileaks, August 26, 2011, <http://www.cablegatesearch.net/cable.php?id=09MONROVIA725&q=buchanan%20renewable> (08-09-11).

⁹⁷ People to People website, "Statement of appreciation to the Odebrecht Construction International, Arcelor Mittal Liberia and Buchanan Renewables for the capacity-building partnership and support given to the Grand Bassa Community College", 20-04-12, <http://peopletopeople.info/id831.html> (01-03-13).

'BR has supported projects in our county ranging from providing internships to Margibi students, support orphanages, homes for the blind and physically challenged amongst other,'⁹⁸

The Movement for the Empowerment and Advancement of Liberians, (MEAL) also condemned calls by Grand Bassa County Representative Byron Brown to nullify the Buchanan Renewables Power (BRP) agreement with the Liberian government.

MEAL noted:

'What Rep Brown needs to know is that BR Power has secured over US\$ 112 Million financing from the Oversea Private Investment Corporation (OPIC) for the power plant construction. Moreover, the company has also leased land in Margibi County and has secured an environmental permit, tendered and negotiated construction contracts all amounting to over US\$20 million'⁹⁹.

- On 17 May 2012, the Plenary of the House of Representatives declared the concession operations of Buchanan Renewables a 'dubious and economic trouble' for Liberia.¹⁰⁰ The Plenary further voted unanimously to halt all operations of BR, particularly the collection and shipment of wood chips from Liberia to other parts of the world for commercial purposes. The House's decision stemmed from a joint committee report emanating from several hearings conducted with key players, including BR's management.

- The Government of Liberia accepted the blame for the delays in the power supply agreement. On 31 May 2012, the Chairman of the National Investment Commission (NIC), Hon. Natty B. Davies, told reporters, in Monrovia, that the Government could not provide guarantees to BR since in fact the country was still undergoing the Heavily Indebted Poor Countries (HIPC) review, which prevented the government from borrowing or issuing guarantees. He added:

'BRP remains committed to moving forward with the construction of the power plant project. What has happened is that we as a government as is the case in a number of these transactions, generally provide guarantees to the developer with

⁹⁸ Monrovia Post website, "Margibians want BR Power deal finalized, petition lawmakers", 21-11-12, <http://monroviapost.com/margibians-want-br-power-deal-finalized-petition-lawmakers/> (01-03-13).

⁹⁹ GNN Liberia website, "Bassa Youth Blast Lawmaker, Call On President Sirleaf To approve BR Power Plant", 23-11-12, <http://www.liberianobserver.com/index.php/news/item/2937-bassa-youth-terms-lawmaker%E2%80%99s-call-%E2%80%9Cdevilish%E2%80%9D-begs-president-sirleaf-to-approve-br-power-plant> (01-03-13).

¹⁰⁰ Libenews weblog, "Lawmakers in Liberia Declare Buchanan Renewables Operations Dubious", 18-05-12, <http://www.liberianobserver.com/index.php/news/item/1360-house-declares-br-dubious> (01-03-13).



*respect to the cost of the builder of the generation facility, which we (government) are yet to do.*¹⁰¹

- ❑ The halt order by the Plenary of the House of Representatives was reconsidered with the letter of support (for BR) from the President of Liberia, on 1 June 2012. She assured the House that the discussions surrounding the power plant will be closed by 22 June 2012. The President of Liberia instructed the Inter-Ministerial Concession Committee (IMCC) to review the Buchanan Renewables agreements and make recommendations to her by end of June in terms of the most appropriate action to take under the circumstances.¹⁰²
- ❑ On 11 July 2012, the Committee headed by National Investment Commission (NIC) Chairman, Mr O. Natty B. Davies, II, presented a report and recommendations on the BR projects in Liberia. The report concluded with the warning that halting the operations of the Company would have a negative impact on the lives of the employees, their dependants, residents of the communities and the country as a whole.¹⁰³
- ❑ In July 2012, BR blamed Government for delays in power supply agreement but also agreed to restructure the power supply deal so that it would entail less stringent financial terms in constructing a power plant than the previous agreement between the government of Liberia and the company.¹⁰⁴
- ❑ On 22 August 2012, the President of Liberia sent a communication to the Plenary of the House of Representatives, 53rd National Legislature, to concur with the Inter-Ministerial Concession Committee's recommendations that the government should not halt BR Fuel's operations for the reasons listed in the committee's report, especially the fact that BR Fuel is a separate business entity from BR Power even though they have the same parent company. She also

¹⁰¹ African Standard News website, "Liberia's President Sirleaf Warns of Legal Consequences in Saga Involving Company Accused of Breaking Contractual Agreement", 10-06-12, http://www.africanstandardnews.org/index.php?option=com_content&view=article&id=496:solomon-watkins-ii-monrovia-liberia-231-0-886-427519-email-solomonwatkinsi@gmailcom&catid=3:newsflash (01-03-13).

¹⁰² Legislature of Liberia website, "Actions Taken From the 39th Day Sitting of the Honorable House of Representatives", 05-06-12, <http://legislature.gov.lr/content/actions-taken-39th-day-sitting-honorable-house-representatives-june-5-2012> (01-03-13); African Standard News website, "Liberia's President Sirleaf Warns of Legal Consequences in Saga Involving Company Accused of Breaking Contractual Agreement", 10-06-12, http://www.africanstandardnews.org/index.php?option=com_content&view=article&id=496:solomon-watkins-ii-monrovia-liberia-231-0-886-427519-email-solomonwatkinsi@gmailcom&catid=3:newsflash (01-03-13).

¹⁰³ In Profile Daily website, "Ellen, House Divided Over Halting BR", 29-08-12, http://inprofiledaily.com/index.php?option=com_content&view=article&id=7385:ellen-house-divided-over-halting-br&catid=1:headlines&Itemid=56 (01-03-13).

¹⁰⁴ Liberian Daily Observer website, "BR Power Plant Project Imminent, Ellen assures Lawmakers", 13-07-12, <http://www.liberianobserver.com/index.php/news/item/1894-br-power-plant-project-imminent-ellen-assures-lawmakers> (29-10-12).

noted that the Ministry of Land, Mines and Energy, the Liberia Electricity Corporation (LEC), and Buchanan Renewables are currently attempting to finalise the power purchase agreement. A conclusion of this deal is important to Liberia's energy future and the continued viability of the agriculture (Rubber) sector of the country's economy, she noted in the communication to the Lawmakers.

- ❑ Others have condemned the company for subsidising European energy needs at the expense of ordinary Liberians by exporting tons of woodchips from felled Liberian rubber trees.¹⁰⁵ In an article on Buchanan Renewables, on 3 September 2012, the Liberian newspaper *Daily Observer* reported:

*'BR has harvested hundreds of millions of wood chips from felled Liberian rubber trees, and begun shipping them, not to Kakata, but to Europe, to power not its Liberian 'plant,' but European power plants! So as it turns out, impoverished, underdeveloped Liberia is now subsidising cheap energy not in Liberia, but in Europe!'*¹⁰⁶

- ❑ In the interview with SOMO and Green Advocates in October 2012, BR maintained that the delays are caused by the Government of Liberia. In a previous statement, the company stated:

'To date, BR Power has spent over \$20 million on engineering consultants, land leases, legal fees, etc. in preparation for the construction of the plant.' (...)
*'BR Power remains committed to working with the government, LEC, and OPIC to resolve outstanding issues in order to start construction of the plant and fulfil the social obligations of its concession agreement. However, BR Power is unable to begin construction of the plant or implement any other provisions of the concession agreement until negotiations and the agreements have been finalised.'*¹⁰⁷

5.2. Corporate structure and tax avoidance

'Burning Rubber' also addressed the corporate structure of Buchanan Renewables.¹⁰⁸ The major findings of the report were the following: the company makes use of a

¹⁰⁵ The Monitor website, "Electricity Scam?", http://www.themonitor.com.lr/story.php?record_id=2113&sub=14&lang=1 (01-03-13).

¹⁰⁶ Liberian Daily Observer website, "solar Powering Liberia: Another Buchanan Renewable Exploit?", 03-09-12, <http://www.liberianobserver.com/index.php/opinioneditorial/item/2376-solar-powering-liberia-another-buchanan-renewable-exploit> (29-10-12).

¹⁰⁷ Alternative Energy Africa website, "BR Responds to Liberian Green Power Plant Delay", 06-09-12, http://ae-africa.com/read_article.php?NID=4217 (01-03-13).

¹⁰⁸ SOMO and Green Advocates, *Burning Rubber: Buchanan Renewables' impacts on sustainable development in Liberia*, November 2011, http://somo.nl/publications-en/Publication_3715 (04-01-12).



complex holding structure with subsidiaries in Luxembourg, the Netherlands, Mauritius and Liberia; the ultimate owner of the structure is Pamoja Capital, an investment fund registered in Switzerland; and, the company's holding company and BR's official headquarters is Buchanan Renewables B.V., which is registered in Amsterdam, the Netherlands, but does not have any employees.

Buchanan Renewables B.V. controls the company's three business divisions in Liberia: BR Fuel, responsible for the company's harvesting activities; BR Power, responsible for the construction of the biomass-fuelled power plant; and, BR Technical Services which is engaged in infrastructural development (road constructions, etc.). All three of the business divisions have respective B.V. structures in the Netherlands.

A corporate structure that includes mailbox companies in countries such as the Netherlands or Luxembourg can facilitate tax avoidance. 'Burning Rubber' analysed four aspects of BR's corporate structure that could point to tax planning motives:

1. BR has a holding structure without economic substance in the Netherlands. The company neither engages in any physical activities nor has any employees in the Netherlands, as all of its Dutch-registered entities are so-called shell or mailbox companies. The only entity in the Dutch company structure that does list employees is Buchanan Management Services B.V., which has three employees.
2. The Dutch holding has a group financing role. Buchanan Renewables B.V. provides intra-company loans to its subsidiaries.
3. The company is technically owned by a foundation. The sole shareholder of Buchanan Renewables B.V. is the foundation 'Stichting Co-Invest Pamoja Liberia', which could indicate that BR makes use of a so-called 'orphan structure'. The main goal of an orphan structure is to ensure that the assets and liabilities of the subject company are treated as off-balance.
4. BR employs a structure with ultimate ownership through entities in Luxembourg. This is a sign that the Dutch entities are used for 'conduit' purposes to channel financial flows to countries that have tax secrecy laws and a low corporate tax regime.

Only minor changes in BR's corporate structure

Subsequent research has not revealed any major changes in Buchanan Renewables' corporate structure. In May 2012, Vattenfall sold its 30% stake in BR Fuel, which was returned to the majority shareholder John McCall Macbain. For more information on the divestment of Vattenfall, see Chapter 2. TMF Management B.V., which provides trust services for BR, has moved its offices to Amsterdam Zuidoost. This change also means that BR's official headquarters (on paper) now have another address.¹⁰⁹

¹⁰⁹ BR's new address is Luna ArenA, Herikerbergweg 238, 1101 CM, Amsterdam Zuidoost. Retrieved from the website of the Dutch Chamber of Commerce, <http://www.kvk.nl/>, (11-10-12).

Furthermore, Buchanan Renewables B.V. established a subsidiary company in Guernsey.¹¹⁰ The function of this subsidiary is unclear and the documents deposited at the Guernsey Registry do not provide any further clarity. Most Guernsey companies pay no corporate tax and the island has no tax on capital gains, inheritance or sales.¹¹¹ Guernsey ranks 21st on Tax Justice Network's 2011 Financial Secrecy Index.¹¹² Buchanan Renewables (Guernsey) Ltd. is managed by the trust company Trident Trust.¹¹³ As BR has no economic substance on the island of Guernsey, its presence in the country might again point to tax avoidance strategies.

Figure 1 (next page) shows Buchanan Renewables' corporate structure as of 1 January 2013. It should be noted that any changes in the corporate structure resulting from the sale of the company in January 2013 have not been included in this report.

¹¹⁰ Buchanan Renewables B.V., Annual accounts 2010, as retrieved from the Dutch Chamber of Commerce (11-10-12).

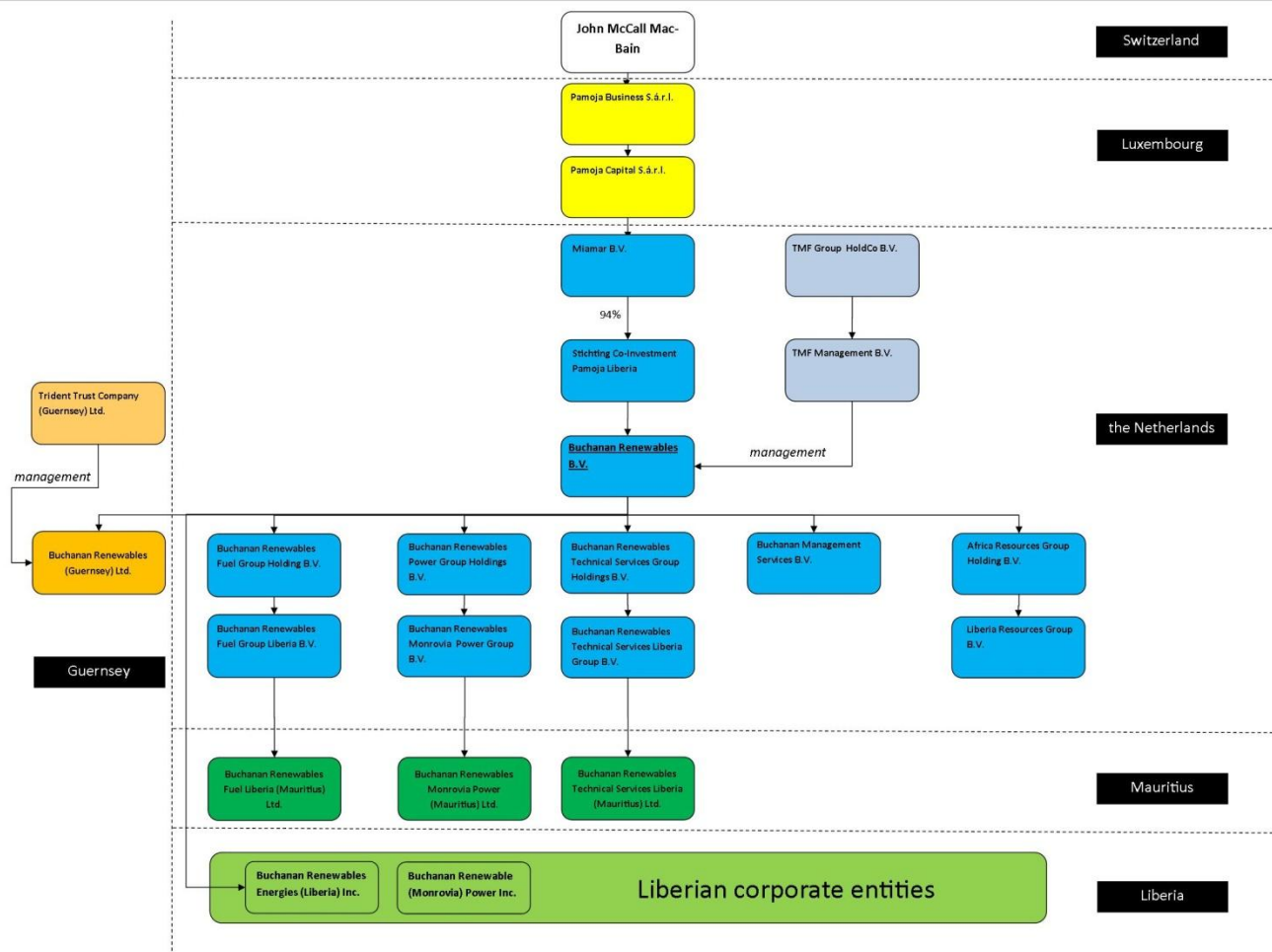
¹¹¹ B. Sherwood, 'Island life beckons in tax haven Guernsey', Financial Times, 25 March 2010, <http://www.ft.com/cms/s/2/a0af191a-3610-11df-aa43-00144feabdc0.html#axzz2DbBo31tz> (29/11/2012)

¹¹² Financial Secrecy Index website, '2011 results' Tax Justice Network, <http://www.financialsecrecyindex.com/2011results.html> (29/11/2012).

¹¹³ 'Company Profile Buchanan Renewables (Guernsey) Limited', retrieved from the Guernsey Registry, 17-10-12..



Figure 1: Buchanan Renewables' corporate structure, as of 1 January 2013



Data based on company filings from the Dutch Chamber of Commerce, the Guernsey Registry and the Registre de Commerce et des Sociétés Luxembourg.



5.3. Increased attention for tax avoidance

In the past decade civil society organisations have stressed the importance and the impact of tax planning structures by multinational companies worldwide. During the second half of 2012 the issue of tax avoidance has seen increased attention from various governments. Several well-known multinationals have been identified as using (or abusing) tax regimes in various countries to shift their profits to low tax-rate jurisdictions. By minimising their tax burden in production countries, companies often deprive these countries of a significant amount of their rightful tax income.

In October 2012, Reuters revealed that US-based coffeemaker Starbucks had hardly reported any taxable profit in the UK in the past 15 years.¹¹⁴ Shortly after that, Google and Amazon also admitted in front of the UK Public Accounts Committee that they made use of favourable tax regimes and used 'tax routes' through, inter alia, the Netherlands, to lower their tax payments in the UK.¹¹⁵

As a consequence of these developments, executives of these firms had to appear before parliamentary committees in the UK to account for their business models.¹¹⁶ Questions were also raised in the Dutch parliament about the Netherlands being a tax haven, the consequences its tax treaties have, and the fact that the country is facilitating corporate tax avoidance.¹¹⁷

In the United States, the same issue resulted in a hearing by the Permanent Subcommittee on Investigations of the US Senate on off-shore profit shifting and the US tax code.¹¹⁸ Among other things, the hearings focused on the tax strategies applied by two large US multinationals, Hewlett Packard and Microsoft, 'using them as case studies to identify some of the structures and transactions that many US-based MNCs use to shift billions of dollars worth of assets developed in the United States and profits offshore to avoid U.S. taxes'.¹¹⁹ The corporate structures of these two companies also make extensive use of Dutch-registered mailbox companies that have intra-group financing functions.¹²⁰

¹¹⁴ T. Bergin, "Special Report: How Starbucks avoids UK taxes", Reuters, 15-10-12, <http://uk.reuters.com/article/2012/10/15/us-britain-starbucks-tax-idUKBRE89E0EX20121015> (30-11-12)

¹¹⁵ BBC News website, "Starbucks, Google and Amazon grilled over tax avoidance", 12-11-12, <http://www.bbc.co.uk/news/business-20288077> (30-11-12).

¹¹⁶ Ibid.

¹¹⁷ Tweede Kamer der Staten-Generaal, "Vragen van het lid Klaver (GroenLinks) aan de staatssecretaris en de minister van Financiën over het bericht «Fiscale truc onder vuur»", 14-11-12, <https://zoek.officielebekendmakingen.nl/kv-tk-2012Z19321.html> (30-11-12).

¹¹⁸ United States Senate Permanent Subcommittee on Investigations, 'Exhibits; Hearing on Offshore Profit Shifting and the U.S. Tax Code', 20-09-12, <http://www.hsgac.senate.gov/download/?id=7B9717AF-592F-48BE-815B-FD8D38A71663> (04-01-13).

¹¹⁹ Ibid., p. 5

¹²⁰ See for example Ibid. p. 43.

6. Conclusions and analysis

This follow-up research to 'Burning Rubber' reveals a number of interesting developments that have taken place since November 2011. This chapter identifies four major conclusions that can be drawn on the basis of the findings presented of this report. These conclusions relate to BR's engagement with the smallholder farmers, the motives and effects of Vattenfall's decision to divest, the continuous plight of the charcoal producers, and the unchanged yet increasingly controversial corporate structure.

6.1. BR's engagement with smallholder farmers: stopped in its tracks

It is encouraging to see how BR reacted to the negative effects on the smallholder farmers that were brought to light by 'Burning Rubber'. BR had taken a number of concrete steps even before the report had been published. These steps included a restart of engagement and contact with the smallholder farmers, actively addressing a number of their concerns, such as the renewed efforts to maintain the young trees and compensating some of the farmers for trees that were cut down but never processed into woodchips. As BR had communicated to the researchers in 2011, the maintenance of the young trees was identified as a priority for 2012 and beyond, and this was reflected in the reports of the farmers who indicated that during the first half of that year, maintenance had indeed taken place on a regular basis.

With the establishment of the Farmer's Grievance Committee, BR also recognised the Farmer's union, which was established during the PRA, and its representatives. This led to an improvement in the contact between the company and the farmers, who were now organised as a group rather than having to engage with the company on an individual basis. Based on the minutes of the meetings that took place in the early months of 2012, as well as the witness accounts of the farmers, the dialogue was constructive and addressed several of the issues that the farmers were facing. While there were still issues that arose during this period (related to the number of people that BR would hire for the maintenance of the young trees for example) it is clear that the relations between the farmers and the company have greatly improved.

However, all these improvements seem to have been done away with in the period following the divestment of Vattenfall and Swedfund. The maintenance of the farms, the monthly meetings between the company and the farmers and the constant building of trust all came to an end when BR decided to terminate all contracts in the summer of 2012.

From the interviews held with the farmers in October 2012, it became obvious that this negatively impacted even those farmers who had not previously complained and who were satisfied with the agreement they had with BR. Many felt that the company did not meet its obligations and that they were entitled to continued maintenance of their farms.

For most of the smallholder farmers, the ultimate consequence of these recent developments seems to be that maintenance of the young rubber trees will no longer be conducted. Given the costs of hiring staff to help maintain the farms, combined with the fact that these farms are not yet generating any income, many farmers have no other choice but to seek other forms of income, and let the weeds overgrow the farms and kill the young rubber trees.

These recent developments highlight the difficulties present in sustaining a business model that is both profitable and that makes a genuine contribution to the sustainable development of a developing country. In the case of these smallholder farmers, the company's self-stated contribution to the 'rejuvenation of the rubber sector' has come to a halt. It is recognised that maintenance of these farms is a costly matter even for a company the size of BR. The company's position that it does not bear all the responsibility for this maintenance for the entire period is also a logical one. But the fact remains that without involvement of BR, most of the rubber trees at the smallholder farms will never see maturity and will never produce any rubber nor income for the farmers. Rather than being rejuvenated, these farms risk slowly turning into secondary forests. This illustrates the need for companies to undertake rigorous financial, human rights and environmental due diligence. This type of due diligence is recognised in both the OECD Guidelines for Multinational Enterprises as well as the UN Guiding Principles on Business and Human Rights as a key responsibility for companies.

From the beginning, rejuvenation of smallholder farms has been a major part of the company's public image, and it is also the model that allowed it access to various sources of development related funding, in the form of loans, equity investments and insurances. The fact that this rejuvenation is not seen through to the end has the gravest consequences for the farmers themselves, who are now faced with farms that they cannot use and that are slowly becoming overgrown to the point that they become inaccessible, creating a situation in which these farmers are worse off now than they were before engaging with BR. This also shows that the developmental effects, as envisaged by OPIC when it provided a loan to BR Fuel, have not materialised.



6.2. The role of Vattenfall and Swedfund: insufficient due diligence and lack of a proper exit strategy

This case study also raises serious questions regarding the role and responsibility of Vattenfall and Swedfund, as business partners and minority shareholders of BR. It is safe to say that Vattenfall's corporate decision to divest from BR has contributed to the developments in recent months for the smallholder farmers. Given the fact that Vattenfall has presented this investment as an integral part of the company's CSR approach, reporting on it in its annual CSR reports and using it in various corporate communications, it could have been expected that the company would do more to ensure that their divestment would not have negative impacts on the local stakeholders.

A proper exit strategy would have taken into account the consequences of its actions for other stakeholders, such as the smallholder farmers. Based on the interviews held with Vattenfall and Swedfund, it became obvious that this aspect did not receive sufficient consideration in the due diligence process. It was simply assumed that BR would continue to engage with the smallholder farmers in a similar fashion, something that was obviously not the case.

It can be argued that the manner in which the divestment took place was not in line with Vattenfall's own Code of Conduct. The Code of Conduct states that the company 'consider[s] our impact on people, the environment and society when choosing between alternative solutions'.¹²¹ Similarly, internationally accepted standards such as the OECD Guidelines or the UN Guiding Principles also insist on proper human rights due diligence. The lack of proper due diligence during its divestment means that with respect to the smallholder farmers, Vattenfall did not consider the grave impact of its decision on their livelihoods.

In a similar fashion, the role of Swedfund can be seen to contradict its own policy to bring 'broad economic, social and environmental benefits to countries and communities while minimising negative impacts on people and the environment'. In the case of the smallholder farmers, Swedfund did not take the needed measures to minimise the impacts of its divestment on local communities.

It seems that Swedfund's investment in BR is an additional example of the problem already identified by SNAO in 2009; that the evaluations of the development impacts are too limited and general, as Swedfund only evaluates the developmental impacts during the period of investment and disregards the impact of its exit.

¹²¹ Vattenfall Code of Conduct 2012.
http://www.vattenfall.com/en/file/Code_of_Conduct_2012_18475713.pdf (01-03-13).

The findings in this report suggest that the developmental impacts of Swedfund's involvement with Liberian stakeholders have not resulted in positive outcomes and that in the case of the smallholder farmers this project has not contributed to an improvement in their livelihoods.

In the interviews held with Vattenfall and Swedfund, both parties point to the fact that they were minority shareholders in the project, and that they were not in a position to change anything as they did not have managerial control. Swedfund indicates that it was also not their decision to divest, but that they followed the lead of Vattenfall. Both parties also indicate that the manner in which the project continues, including the engagement with the smallholder farmers, is purely the responsibility of the majority shareholder. This seems to be contradicting the OECD Guidelines, which stipulates that: 'enterprises should seek to prevent or mitigate an adverse impact where they have not contributed to that impact, when the impact is nevertheless directly linked to their operations, products or services by a business relationship'.¹²²

Again, this type of finger pointing and denial of responsibility has had the strongest effects on the situation of the smallholder farmers. While each of the individual decisions of the corporate actors might make sense, the ultimate consequence is that poor Liberians lose their farms and their livelihoods, and that no rejuvenation takes place.

6.3. The plight of the charcoal producers: a continued struggle

'Burning Rubber' revealed that BR's operations at the Firestone estate had increased the hardships of the charcoal producers, who were facing difficulties finding enough wood for their operations. Although BR had signed a MoU with the National Charcoal union of Liberia (NACUL) to address these challenges, no concrete measures had been taken up to that point.

Follow-up research indicates that the engagement between BR and NACUL has improved in the last year. The company assisted in the construction of an office for the leadership of the union, which is now in a better position to coordinate the activities of its members across Liberia. The NACUL also has taken steps since the publication of 'Burning Rubber' to engage with Firestone to ease the tensions with the charcoal producers and is working with the FDA to develop plantations for the exclusive purpose of providing wood for charcoal production.

¹²² OECD, *OECD Guidelines for Multinational Enterprises, 2011 Edition*, <http://www.oecd.org/daf/inv/mne/48004323.pdf> (01-03-13), Chapter 2, paragraph A12.

Meanwhile, the charcoal producers at Freeman Reserve are scrambling to gain access to the wood that is left behind after BR harvests the trees on the Firestone estate. The findings from the field study described in this report contradict BR's position that enough wood is left for the charcoal producers after the company fells the old trees. According to the charcoal producers, the roots and branches left behind are not adequate for their needs, as high quality charcoal also requires the same stems that BR uses to produce its woodchips.

This situation has not only created difficulties for those charcoal producers that harvest wood left behind by BR, but has also led a number of other producers deciding to source from natural forests instead. According to NACUL staff, the destruction of natural forests through the production of charcoal in this area is a direct consequence of the difficulties faced by charcoal producers in sourcing rubber wood from the Firestone estate. Clearly, this development has negative consequences for the environment and biodiversity and needs to be addressed.

6.4. BR's corporate structure: unchanged yet more controversial

'Burning Rubber' concluded that BR's corporate structure, which made use of mailbox companies in the Netherlands, Luxembourg and other known tax havens, was designed in a way that facilitated tax avoidance. The structure had an overly complex design that made use of Dutch entities that had internal financing roles but no economic substance. It was concluded that tax concerns were a major reason for choosing this particular structure.

This follow-up report only identified minor changes to the corporate structure. BR's operations are still ultimately controlled by Buchanan Renewables B.V., a mailbox company in the Netherlands that has no employees and no activities in the country. The same concerns that were voiced in 'Burning Rubber' are therefore still relevant. Meanwhile, the use of intra-company payments and subsidiaries in tax havens is the subject of increasing international criticism.

The example of the parliamentary hearings in the UK shows that multinational companies have come under increasing scrutiny regarding their tax planning, and that several large companies are being forced to publicly explain their corporate structure. A number of elements that were brought to light during these hearings are comparable to the corporate structure of BR. In particular BR's use of mailbox companies in the Netherlands and Luxembourg show similarities to the strategies used by these companies and criticised by UK parliament.

These questionable strategies are not in line with the company's stated aim to contribute to the sustainable development of Liberia.

6.5. Recommendations

6.5.1. On BR's engagement with the smallholder farmers

Recommendations to BR:

1. Identify and seek to mitigate the adverse impacts that BR's termination of its engagement with the smallholder farmers has had on the farmers' livelihoods;
2. As part of the process of identifying adverse impacts, re-engage with the Farmers' Grievance Committee;
3. As part of efforts to mitigate adverse impacts, actively seek alternative systems of support, potentially in collaboration with other partners, for the smallholder farmers, to get a clear picture of the challenges faced by the smallholder farmers in ensuring that the young rubber trees reach maturity. Such support systems could include loan schemes with interest rates that are tenable for the farmers;
4. In line with internationally-recognised standards, develop and implement a human rights policy and a human rights due diligence procedure to identify, prevent, and mitigate adverse impacts on human rights and the environment, in particular related to issues impacting smallholder farmers.

6.5.2. On the role of Vattenfall and Swedfund

Recommendations to Vattenfall and Swedfund:

In order to meet their responsibility to respect human rights and the environment, Vattenfall and Swedfund should:

1. Improve the development and implementation of a human rights due diligence process to identify, prevent, and mitigate adverse impacts on human rights and the environment;
2. As part of the due diligence process, ensure that appropriate exit policies and procedures are in place to guarantee that responsibility to respect human rights and the environment are met. This policy should be in line with Vattenfall's and Swedfund's Codes of Conducts and Sustainable Development Policy and should be integrated into the companies' business models;
3. Conduct a post-divestment evaluation of the impacts of the BRF project, including interviews with impacted smallholder farmers and a mapping of the options available to assist the farmers in overcoming the negative impacts they have experienced.



6.5.3. On the plight of the charcoal producers

Recommendations to BR:

1. Ensure that adequate wood is left in the fields for the charcoalers to gather for charcoal production. This will increase the incentive, in the form of benefit-retention, for charcoalers following them from Division-to-Division to gather wood.
2. Leave some standing trees in addition to the 75% of the branches. Turn some farms or Divisions over to the Union to harvest for charcoal.
3. Investigate the collection of fees by BR field staff from charcoalers accessing wood left in the fields. Where appropriate, issue penalties to staff for this practice.
4. Ensure that in the MoU with Firestone, the Charcoal Union is left with the task to distribute wood left in the fields among its members. This will help address the issue of BR field staff demanding fees.
5. Revisit the first Memorandum of Understanding signed between BR and the National Charcoal Union. This MoU carries the blueprint and capacity building effort to address the challenges in the charcoal sector.

Recommendations to the Liberian Forestry Development Agency:

1. Assist the National Charcoal Union of Liberia in introducing and sustaining reforestation in places cleared by charcoalers. This includes the planting of fast-growing species that can be used to produce charcoal in the medium and long term.

Recommendations to the National Charcoal Union of Liberia:

1. Clearly identify members in areas cleared by Buchanan Renewables at the Firestone estate, as well as in additional areas where wood may be available.
2. Take leadership in coordinating the activities of members gathering wood in places cleared by BR and ensure that fees are not collected for wood gathered.

6.5.4. On BR's corporate structure

Recommendations to BR:

1. Stop making use of shell companies in known tax havens and design a corporate structure more in line with BR's public image as a sustainable enterprise.

Recommendations to LEITI:

1. Investigate and monitor the use of shell companies in tax havens by BR and other companies active in Liberia. Identify the potential risks of such practices for Liberia, and engage companies on this subject.

Cut and Run

Update on the impacts of Buchanan Renewables' operations and Vattenfall's divestment

This report is an update of 'Burning Rubber' and addresses the impacts of Buchanan Renewables' operations in Liberia as well as the causes and consequences of Vattenfall's decision to divest of its minority share. The report shows how smallholder farmers are facing difficulties sustaining in their livelihoods as a direct consequence of the actions by these companies. Vattenfall and Swedfund have not done adequate due diligence to avoid such negative consequences for Liberian stakeholders. Charcoal producers also continue to face difficulties, while Buchanan Renewables' corporate structure remains well suited for tax avoidance.

