

# Wells Fargo's involvement in funding the Dakota Access Pipeline

The company is balancing its commitments to multiple stakeholders as the dispute continues.

February 8, 2017

[Wayne Thompson](#)

Wells Fargo's participation in financing the construction of the Dakota Access Pipeline has put the company in the news in recent weeks, led to demonstrations at multiple Wells Fargo branches and corporate offices, and prompted some customers to reconsider their business with the company.

Protesters have focused much attention on the banks financing the construction of the pipeline, including Wells Fargo, and raised concerns about Wells Fargo's commitment to environmental sustainability, the rights of indigenous peoples, and the company's process for making investments in energy projects.

The Seattle City Council's Feb. 7 vote to sever ties with Wells Fargo after its financial-services contract with the bank ends in 2018 was the first such action by a municipality specifically over the pipeline, and has been followed by some other municipalities. A [column in the Puget Sound Business Journal](#) questioned that decision, highlighting Wells Fargo's multi-faceted contributions to the community, region and state, and the illegality and discriminatory nature of basing lending decisions to qualified applicants on the economic sectors their businesses represent or an individual's political views.

On Feb. 28, 2017, Phil Smith, head of Government and Institutional Banking at Wells Fargo, wrote a [letter to the Seattle City Council](#) highlighting the company's 18-year record as the city's bank and other contributions to Seattle.

These are the essential facts regarding Wells Fargo's involvement in the Dakota Access Pipeline.

## The Dakota Access Pipeline

The Dakota Access Pipeline is a \$3.78 billion project designed to move crude oil currently delivered by truck, train, and other older pipes from North Dakota to Illinois, where it could be transported to refineries on the Gulf Coast or East Coast. The pipeline is expected to move approximately 470,000 to 570,000 barrels of crude oil a day. About 8.9 million to 10.8 million gallons of gasoline could be made a day from that amount. Americans used about 385 million gallons of gasoline daily in the U.S. in 2015, according to the U.S. Energy Information Administration.

Source: Wells Fargo [website](#)

The proposed path for the pipeline runs 1,172 miles across North Dakota, South Dakota, Iowa, and Illinois. Developers of the project have now secured all necessary state, local, and federal right-of-way approvals, and the pipeline is nearly complete.

The remaining section of the project, which required approval by the U.S. Army Corps of Engineers, will transport the crude oil under a reservoir on the Missouri River known as Lake Oahe, near the Standing Rock Sioux Reservation in North Dakota.

This section of the pipeline has been the focus of intense and nuanced dispute, with passionate and vocal parties on all sides of the issue. President Donald Trump recently signed a series of executive orders to advance approval of both the Dakota Access and Keystone XL oil pipelines. The order reversed the Obama Administration's decisions in November 2015 to deny approval of the Keystone project altogether and, in December 2016, to deny the easement needed for construction to continue on the Dakota Access Pipeline.

The U.S. Army has now notified Congress that the Corps will grant the final permit for the Dakota Access Pipeline to cross under Lake Oahe so the project can be completed. The approval was noted Feb. 7 in court filings by the Justice Department which included letters to members of Congress from Deputy Assistant Army Secretary Paul Cramer.

## **Wells Fargo's involvement**

Wells Fargo is not the lead bank on the project. Wells Fargo is one of 17 banks that have made a loan to the developers of the pipeline. The company is lending \$120 million — 4.8 percent of the total financing — to the project's \$2.5-billion credit facility. The additional \$1.28 billion required for the project is being funded by the pipeline's owners.

While Wells Fargo fully respects concerns being expressed, as with other financing agreements, the bank is legally obligated to satisfy the requirements as a lender if all conditions of the credit agreement are met, said Bart Schouest, head of Wells Fargo's Energy Corporate Banking Group.

“Wells Fargo is a company that serves a broad range of industries and constituents by providing financing that supports economic development to satisfy needs within our markets. While there are times when constituents have different interests around a particular project, our businesses will continue to support our customers on both sides of the issue — in this particular case, the pipeline owners and the Standing Rock Sioux Tribe,” said Schouest.

In September, a campaign against the banks financing the pipeline began in earnest. On Nov. 15, designated a “National Day of Action” by pipeline opponents, demonstrations took place at Wells Fargo locations in 17 states, beginning a stream of largely peaceful, coordinated protest activity that has occurred at Wells Fargo locations in the weeks following.

Cora Gaane, the Tribal Advocacy relationship manager for Strategic Philanthropy in Wells Fargo Government and Community Relations, has been meeting with those who serve tribal entities

across the U.S. to hear their concerns. Shortly after the protests began onsite in North Dakota, Gaane joined Wells Fargo senior leaders from Corporate Banking, Environmental Affairs, and the Business Banking relationship team in a meeting with leaders from the Standing Rock Sioux Tribe, with whom the company's relationship spans decades, and the nonprofit First Peoples Worldwide, to hear their concerns about Wells Fargo's involvement in the pipeline.

"Our Wells Fargo relationship managers, senior leaders, community development officers, and retail banking team members located near tribal communities are responding to inquiries and listening to our stakeholders to make sure we understand and address their concerns while working through all aspects of the issues related to the DAPL project," Gaane said.

Wells Fargo is one of the largest lenders to the energy sector, supporting the responsible development of all forms of energy. The bank has a 40-year history financing traditional energy projects and makes sizeable investments in renewable energy and clean technology through its [Clean Tech](#) and Environmental Finance businesses. Since 2012, the company has invested more than \$70 billion in environmentally sustainable businesses. In 2015, projects owned in whole or part by the company produced 10 percent of all solar photovoltaic and wind energy generated in the U.S.

At the same time, multiple Wells Fargo banking units also have been serving Native American tribes for more than 50 years, providing capital and financial services to the Standing Rock Sioux Tribe and more than 200 tribal entities in 27 states. To date, Wells Fargo has loaned \$2 billion to tribal entities, and made \$44 million in tax credit investments, including financing Low Income Housing Tax Credit projects in nine states (Arizona, Minnesota, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, and Wisconsin), and sponsoring Affordable Housing Plan subsidies for tribal housing projects.

Since 2013, Wells Fargo has also provided more than \$16 million to tribal nonprofit organizations, and in 2016 announced a three-year, \$3 million educational grant to benefit students from both federally and state-recognized tribes.

## **Due diligence and hope for a 'peaceful resolution'**

While assessing the project for a loan, as with all similar projects, Wells Fargo went through an extensive due diligence process. In this case, the company worked with the independent engineer and the lenders' legal counsel to ensure that the project complied with all local, state, and federal laws, and that potential cultural and environmental impacts were addressed.

Mary Wenzel, head of Wells Fargo Environmental Affairs, said the due diligence process included verifying that the project complied with the [Equator Principles](#) — a global framework designed to determine, assess, and manage social and environmental risks and impacts of projects such as the Dakota Access Pipeline.

“As a result of what we have learned from the ongoing dispute, we have enhanced our own due diligence in sectors subject to our Environmental and Social Risk Management policy,” said Wenzel. “We have also developed an [Indigenous Peoples Statement](#), which will help guide our decision-making for projects where proceeds of Wells Fargo financing may potentially impact Native American, Native Alaskan or other indigenous communities.”

“This is a sensitive issue that we have worked diligently to address with great care,” said Jon Campbell, head of Wells Fargo Government and Community Relations. “As a company committed to environmental sustainability and human rights, we respect all the differing opinions being expressed in this dispute, and hope all parties involved will work together to reach a peaceful resolution.”