

Congress of the United States

Washington, DC 20515

June 16, 2020

The Honorable Jerome H. Powell
Chairman
The Honorable Randal K. Quarles,
Vice Chair for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Brian P. Brooks
Acting Comptroller of the Currency
Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

The Honorable Jelena McWilliams
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20429

Chairman Powell, Vice Chair Quarles, Acting Comptroller Brooks, and Chairman McWilliams:

We write to follow up on a letter we sent to the President with thirty-three other members of the Senate and House regarding a disturbing trend of major U.S. financial institutions folding to activist environmental groups' pressure to put in place poorly drawn policies against investing in new oil and gas operations in the Arctic. That letter stressed the critical importance of the oil and gas sector of the economy and highlighted the open discrimination against this portion of the energy sector by these financial institutions, despite the significant federal benefits they utilize and are provided for their day to day operations. In that letter, we called on the Administration to "use every administrative and regulatory tool at your disposal to prevent America's financial institutions from discriminating against America's energy sector."

Not only does this sector of our economy literally provide the energy that drives the nation, but it also supports millions of good-paying jobs, provides significant revenues to states, and bolsters our diplomatic and national security. In fact, as we saw with the economic recovery from the 2009 recession, America's oil and gas sector will be of the utmost importance as we jump-start our economy after the COVID-19 pandemic. By denying financing under the guise of reputation risk, these institutions are discriminating against America's interests, our economic recovery, and our workers, all while utilizing significant federal support and benefits such as the Federal Deposit Insurance Corporation (FDIC) insurance and recently, the benefits from implementing the various Treasury, Federal Reserve, and Small Business Administration (SBA) pandemic relief programs. Beyond these political lending policies' impact on the energy sector, we want to highlight a more

particular and even more egregious subset of this discrimination – the impact to the Alaska Native communities in our state.

These overtly political policies, ostensibly based on “reputational risk,” unfairly target potential oil and gas operations in Alaska that provide economic and social welfare benefits not just to Alaska and its residents, but particularly Alaska Native communities throughout the North Slope region where these projects would be developed. We are deeply concerned by these banks’ policies, which unfairly single out the economies of Alaska Native communities in the Arctic, by discriminating against legal energy projects based not on credit worthiness, but purely political greenwashing. We urge you to review your existing regulatory tools to assess and scrutinize these discriminatory political lending practices and provide transparency within our financial system.

Since November 2019, five U.S. banks have announced policies to stop lending to new oil and gas projects in the Arctic, including the 1002 Area of the Arctic National Wildlife Refuge. These are Citigroup, Goldman Sachs, JPMorgan, Morgan Stanley, and Wells Fargo. These energy projects are legal activities, and, in the case of the 1002 Area, are expressly directed to take place by Congress in legislation passed in 2017. Further, all activities are carried out under the strictest environmental standards, regulated at both the state and federal level. These banks cite heightened risk of environmental harm as their reason for not funding future projects, but this assertion flies in the face of the State of Alaska’s stellar environmental record related to Arctic oil production over 50 years. Additionally, some of these institutions have helped fund previous energy exploration in the Arctic areas of other countries with far less stringent environmental regulations. Thus, it is hard to accept these banks’ reasoning at face value. It is clear that these policies are overtly political and actually meant to appease extreme activists’ calls for fossil fuel divestment and to discriminate against certain sectors of the energy industry and projects in specific geographical areas.

While these policies are facially concerning as they target the energy sector during the twin crises of COVID-19 demand shock and the ill-timed Saudi-Russia oil price war, we are particularly concerned by the discriminatory effect these policies are having on Alaska Native communities on the North Slope of Alaska. Since oil production started in the 1970s, Alaska Native communities on the North Slope have seen an exponential rise in health and standards of living. The former North Slope Mayor testified to Congress in 2015 that:

In a period of roughly 30 years, we experienced over 200 years’ worth of development and advancement. We formed a local, home-rule government and built roads, airports, schools, hospitals, houses, and utilities. We provided police, fire, first responder, and search and rescue services. Our people went from burning whale oil to keep warm to having natural gas heaters.

Current North Slope Borough Mayor Harry Brower Jr., an Inupiat who represents the nearly 10,000 Alaskans in the North Slope Borough, has said:

Thanks to oil production, our children are no longer forced to live hundreds of miles away from their families simply to attend high school. We are able to eat our native foods, practice our native ceremonies and speak in our native tongues. Many of us

now live near a cutting-edge medical clinic. We can heat our homes, turn on our lights with a flick of the switch, and in some cases we even have indoor plumbing. We are no longer one whaling hunt from starvation.¹

All of these benefits to Alaska Native communities are seriously threatened by these misguided policies of large American banks openly discriminating against investment in some of the most economically disadvantaged regions of America. At best, these policies were enacted without due diligence or consultation with Alaska Native communities impacted by development in the Arctic. However, we fear it isn't just negligence, but as Mayor Harry Brower put it, a "condescending, subtly racist attitude that too often has been the hallmark of the way Westerners deal with indigenous people." This attitude is made more hypocritical when one considers that the very activists colluding to enact these policies claim to care about environmental justice. Where is the justice for Alaska Natives when banks and extreme environmental groups conspire to rob them of their health, welfare, safety, and economy in order to play politics? Simply put, these discriminatory outcomes are unacceptable and should not be tolerated by federal regulatory agencies, such as the ones you lead, that oversee these banks.

We urge your agencies to take a serious look at these banks' actions and how they are impacting Alaska Native communities across the North Slope. We further urge you to review your existing regulatory authorities to see whether action can and should be taken to either provide the public with information on how these banks' refusal to lend in these areas is negatively impacting indigenous communities in our state, and whether these actions violate any duty or obligation under federal laws that are relevant to your agencies' mandate from Congress such as the Community Reinvestment Act, Equal Credit Opportunity Act, or other similar laws.

Thank you for your attention to this timely matter. We look forward to following up with a meeting with each of you soon to discuss these very important matters in further detail.

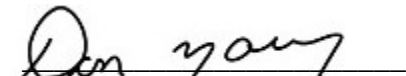
Sincerely,



Dan Sullivan
United States Senator



Lisa Murkowski
United States Senator



Don Young
Congressman for All Alaska

Cc: The Honorable Mike Crapo, Chairman, Committee on Banking, Housing, and Urban Affairs
Mr. Harry Brower Jr, Mayor, North Slope Borough

¹ Harry Brower Jr., *Goldman Sachs to Native Alaskans: Drop Dead*, WALL ST. J. OP. (Jan. 24, 2020, 6:33 pm), <https://www.wsj.com/articles/goldman-sachs-to-native-alaskans-drop-dead-11579908814>