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Regarding Rand Merchant Bank's cooperation with Island Oil & Gas: occupied Western Sahara

Dear Michael Pfaff, Chief Executive Officer

From the homepages of the Irish oil company Island Oil & Gas, we have understood that Rand Merchant Bank through the London office of RMB Resources, has given loans to Island Oil & Gas for the company's petroleum exploration activities.

Western Sahara Resource Watch – an international network with member organisations in 30 countries- wishes to draw your attention to the fact that Island Oil & Gas, together with two partners, holds a reconnaissance contract with the Moroccan state oil company ONHYM for an area in occupied Western Sahara. We would like to get a guarantee from your bank that your capital not be used for the illegal oil exploration in the occupied country.

On 13 December 2006, the day after Island Oil & Gas signed the mentioned reconnaissance agreement with ONHYM, Western Sahara Resource Watch sent a letter to the company regarding the agreement. In our letter we declared our strong denouncement against the agreement, demanding that the company publicly announces its withdrawal from any commercial activity within the occupied territory. We have still not received a response from Island.

Morocco is an illegal occupying power in Western Sahara. This has been established by The International Court of Justice in The Hague in 1975, numerous resolutions of The United Nations Security Council and General Assembly, and by the UN Under-Secretary General of Legal Affairs, Mr. Hans Corell (www.arso.org/Olaeng.pdf) in his letter to the President of the Security Council on 29 January 2002. The occupation of Western Sahara has resulted in enormous suffering and deprivation of the Saharawi people, the rightful owners of the land and the natural resources of Western Sahara. Approximately 165.000 Saharawis are languishing in refugee camps in the inhospitable Algerian desert since 1975. The Saharawi population remaining in areas under Moroccan occupation is subjected to grave human rights violations, such as torture, forced disappearances and arbitrary detention. Most importantly, however, they have not been allowed to freely exercise their right to self-determination through a free, fair and transparent referendum. This right was established through UN General Assembly resolution 1514 (XV) (1960).

Island Oil & Gas has so far not consulted with the Saharawi people or their internationally recognized representatives; Front Polisario. It is therefore highly dubious that such a contract can be seen as being in accordance with international law, ref. the Corell opinion of 29 January 2002. The reconnaissance agreement itself –and the possible contribution to funding of the company's exploration activities in Western Sahara – undermines the principles of International Law.

In our view, the political and ethical implications are, however, more important than the legal ones. Please see e.g. the Norwegian Ministry of Finance for an elaborate opinion on these matters: http://www.vest-sahara.no/files/pdf/kmg_analysis_norway_2005.pdf and http://www.vest-sahara.no/files/pdf/kmg_divestment_norw_min_finance_release_05.pdf

Island Oil & Gas is collaborating with an illegal occupier, thus increasing the risk of further armed conflict, destabilisation and suffering in the entire region. This increased tension actively undermines the hard work of the United Nations to solve the conflict in Western Sahara over the last fifteen years.

Island's cooperation with the Moroccan government in the occupied area clearly lends legitimacy to the illegal Moroccan occupation of Western Sahara. This is made even clearer by Island's reference to the exploration area as "Moroccan" despite the fact that no country has recognised the territory as part of Morocco.

Moreover, the zone in which Island has selected to carry out operations is a highly militarised one. The acreage area is located just adjacent to the wall that the Moroccan forces constructed during the eighties, dividing the country into two parts. The area is believed to have one of the world's highest densities of landmines, and tens of thousands of Moroccan soldiers patrol the area. The licence to our knowledge also covers areas in the vicinity of Smara, a town that has seen repeated clashes between Moroccan police and civilian Saharawis, as well as serious human rights abuses committed by Moroccan forces against the indigenous Saharawis. For the human rights violations in Smara, see for instance this report by the human rights organisation Front Line (www.frontlinedefenders.org/news/237), the report of the UN Secretary-General on the Situation Concerning Western Sahara, 12 April 2006 (www.arso.org/SGrep2006e.pdf) and the statement from Amnesty International, 3 April 2006 (www.amnestyusa.org/news/document.do?id=ENGMDE290072006).

Over the last years, our global movement has conducted international campaigns vis-à-vis oil companies from several states that have been active offshore the occupied area. They include TGS-Nopec, Fugro NV, Thor Offshore, Total, Kerr-McGee, Wessex Exploration and Pioneer Natural Resources. The latest oil company to withdraw from the area, American Kerr-McGee, was forced to listen to our arguments when its financial partners and the local political environment in the USA exerted pressure on them. As a consequence, the company lost shareholders for a total of US \$80 million and eventually withdrew from its operations offshore Western Sahara in 2006.

Island Oil & Gas has also intended to pursue opportunities in third countries, such as Libya, the Netherlands and East Timor, all of them strongly in favour of self-determination for the Saharawi people. The latter, as you might know, was itself under foreign occupation for 24 years, and has today extensive diplomatic relations with the Saharawi Arab Democratic Republic. The company also holds several licences offshore Ireland, a country that has consistently pronounced itself in favour of the Saharawi people's legitimate claim to self-determination. If Island Oil & Gas wishes to maintain good relations –and maintain its legitimate businesses- with these third parties, we see it as necessary that the company respects international law and the most basic standards for corporate social responsibility.

We also expect that the South African government – which recognises the Saharawi Arab Democratic Republic as an independent state, and which shows a strong and unconditional support to the Sahrawi people's legitimate struggle for independence – will find it unfortunate for its own international reputation that one of its national banks subsidises the future violation of international law in Western Sahara.

FirstRand Group is a signatory to the UN Global Compact initiative. Global Compact asks the member companies to embrace, support and enact internationally proclaimed human rights within their sphere of influence, as well as make sure that the companies make sure that they are not complicit in human rights abuses. If FirstRand is to remain as a credible signatory of the GC, we believe it would be necessary for RMB to not take part in the funding of projects in occupied Western Sahara.

Western Sahara Resource Watch hereby appeals to Rand Merchant Bank to demonstrate its attachment to International Legality and Human Rights by making sure that capital from RMB will not be used for any petroleum exploration purposes in occupied Western Sahara. We urge your company to immediately make a public statement, saying that you will not provide loans or any other support to Island Oil & Gas or their partners for these specific purposes.

If loans for such purposes already have been granted to Island Oil & Gas or their partners, we expect a clarification from RMB as to whether you were ever informed of the illegal and unethical nature of their planned operations in the occupied Western Sahara, and an explanation as to how your bank can make sure that the funds provided be not used in the occupied country.

With the present letter we hope to establish an open and frank dialogue with Rand Merchant Bank to address these concerns and we sincerely hope you will reciprocate.

Western Sahara Resource Watch will be more than happy to provide you with any additional information that you may require to study this matter more closely.

Sincerely



Javier García Lachica
International Coordinator,
Western Sahara Resource Watch

Copy of this letter is sent to:

- FirstRand Group of South Africa, Attention: CEO, Paul K Harris
- Island Oil & Gas, Attention: CEO, Paul Griffiths
- London office of RMB Resources, Attention: James Pope
- South African Minister of Foreign Affairs, Dr. Nkozana Dlamini-Zuma
- South African Department of Foreign Affairs, Attention: Chief Director of North Africa, Mr. Ebrahim Saley
- ANC, Attention: Head of International Relations, Mr. Ebrahim Ebrahim
- South African Communist Party, Attention: General Secretary, Dr. Blade Nzimande
- South African Parliament, Attention: House Chairperson, Mr. Obed Bapela, and Chairperson of Portfolio on Foreign Affairs, Mr. Dumisane Job Sithole
- Department of Communications, Energy and Natural Resources of the Republic of Ireland. Attention: Minister Eamon Ryan.
- Irish Minister for Foreign Affairs, Mr. Dermot Ahern