



Editorial: Chevron's legal nightmare in Ecuador

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Conventional environmentalist wisdom holds oil companies guilty of just about every conceivable sin, up to and not excluding raping the land for mere profit. But down in [Ecuador](#), it's the oil company, [Chevron](#), at risk of being raped by a radical, leftist government searching for easy money from the Yanquis. The Bush administration ought to use appropriate diplomatic means to warn Ecuador that its trade preferences are at risk if it continues to make a mockery of contracts, facts, and reason.

Between 1972 and 1992, Texaco and the Ecuador's state-owned [Petroecuador](#) company produced 1.7 billion barrels of oil from that country's lands. Although Texaco was the main operator at the site, Petroecuador, with 62.5% ownership, was the majority partner. After accounting for taxes, Ecuador's government effectively took 95 percent of the profits. In 1992, the government declined to renew Texaco's interest, and took full ownership. Texaco emerged with just \$490 million in total profits. Of that \$490 million, Texaco spent \$40 million on a government-supervised "remediation" program to clean up oilfield pits. Petroecuador walked away with \$24.5 billion.

In 1998, Ecuador certified that the remediation was complete, and granted Texaco a full release from all further claims. In 2001, Chevron bought Texaco. In the meantime, American class-action plaintiffs lawyers purporting to represent Ecuadoran villagers filed multiple suits in American courts alleging environmental harm by Texaco. All those cases were dismissed as utterly without merit. But a new, more radical government took over in Ecuador and suddenly the lawsuits resurfaced in Ecuadoran courts.

By now, of course, Texaco has been gone from Ecuador for 16 years, and any environmental damage is clearly attributable to Petroecuador's continuing operations. Yet, after a series of atrocities against ordinary law and justice, the suits have continued, with Ecuadoran president [Rafael Correa](#) publicly cheerleading for them. On April 1, a court-appointed geologist chosen by and paid by the plaintiffs issued a report claiming that Chevron ought to pay \$7 billion to \$16 billion – in other words, up to 32 times more than its original profits – for less-than-clearly specified environmental damages.

The direction of this developing travesty is obvious. It's a clear violation of all reasonable norms of justice. In response, members of Congress from both parties have questioned whether Ecuador is meeting its obligations under the Andean Trade Promotion and Drug Eradication Act. [Senate Finance Committee Chairman Max Baucus](#), D-MT., said Ecuador's actions might disqualify it from free trade preferences, and the Bush administration officially expressed its "concern." But the administration ought to make stronger statements directly to the Ecuadoran government – and if the travesty continues, the trade preferences should be terminated. Cold turkey