

Congress of the United States

Washington, DC 20510

December 16, 2019

Stephen A. Schwarzman
Chairman, Chief Executive Officer, & Co-Founder
Blackstone Group
345 Park Avenue
New York, NY 10022

Dear Mr. Schwarzman:

We write regarding Blackstone Group's (Blackstone) investments in companies that are playing a significant role in the ongoing destruction and deforestation in the Amazon rainforest in Brazil and exacerbating the climate crisis, and to request information about your firm's structure, business practices, and finances as they relate to these companies.

Reports show that your firm holds significant stakes in Hidrovias do Brasil (Hidrovias) through a 9% direct stake in the company and a 40% stake in Pátria Investimentos, a Brazilian private equity firm that itself owns more than 50% of Hidrovias.¹ Hidrovias has played a significant role in contributing to Amazon deforestation by developing hundreds of miles of forestland to build a controversial highway, BR-163, for an export terminal for grain and soybeans.²

The Amazon rainforest stores a significant amount of global sequestered greenhouse gases and its destruction represents a "terrifying climate double whammy."³ When the Amazon rainforest is destroyed through activities like clear-cutting or forest burning for roadbuilding or agricultural use, often at the expense of indigenous communities,⁴ "the trees release stored carbon in the form of greenhouse-gas-inducing carbon dioxide; and as these forests vanish, we lose the carbon-storing potential of the trees."⁵ A 2019 report by the Intergovernmental Panel on Climate Change stated, "Forests contain more carbon in their biomass and soils than croplands

¹ Private Equity Stakeholder Project, "Blackstone investments driving Amazon deforestation and other climate concerns," September 22, 2019, <https://pestakeholder.org/blackstone-investments-driving-amazon-deforestation-and-other-climate-concerns/>.

² Intercept, "A Top Financier of Trump and McConnell is a Driving Force Behind Amazon Deforestation," Ryan Grim, August 27, 2019, <https://theintercept.com/2019/08/27/amazon-rainforest-fire-blackstone/>.

³ Atlantic, "Follow the Money to the Amazon," Anna Lappé, September 4, 2019, <https://www.theatlantic.com/ideas/archive/2019/09/follow-money-amazon/597319/>.

⁴ Foreign Policy, "Brazil's Amazon—and Its Defenders—Are Under Attack From Illegal Loggers," César Muñoz Acebes, November 14, 2019, <https://foreignpolicy.com/2019/11/14/brazil-amazon-indigenous-defenders-deforestation-illegal-loggers/>.

⁵ Atlantic, "Follow the Money to the Amazon," Anna Lappé, September 4, 2019, <https://www.theatlantic.com/ideas/archive/2019/09/follow-money-amazon/597319/>.

and so a conversion of forest to cropland ... results in emissions of [carbon dioxide] to the atmosphere, thereby enhancing the [greenhouse gas-induced] global warming.”⁶

Given the immense global climate ramifications of deforestation in the Amazon rainforest, it is deeply troubling that U.S.-based private equity firms like Blackstone have taken advantage of the weakening of Brazil’s environmental safeguards through your investments in the logistics and resource extraction industries to boost short-term profits, at the expense of our global climate and indigenous communities.

Private equity funds often operate under a model where they purchase controlling interests in companies and implement extreme measures to boost short-term profits at the expense of the long-term benefits of their communities. For these reasons, we have concerns about the rapid spread and effect of U.S. private equity investment in many sectors of the global economy, including the logistics and resource extraction industries in Brazil. We are particularly concerned that the private equity industry poses significant threats to international environmental protections and efforts to combat global climate change. In light of these concerns, we request that you provide information about your firm, the portfolio companies in which it has invested, the performance of those investments, and the ownership and financial structure of your funds.

Recent reports have shown that the Amazon rainforest in Brazil lost an area of nearly 3,800 square miles, an area nearly twice the size of the State of Delaware, from August 2018 through July 2019.⁷ The rapid increase in Amazon deforestation is largely facilitated by Brazilian President Jair Bolsonaro’s pro-development policies leading to an increase in illegal logging and mining transforming the rainforest “into land for cattle, soybeans and other crops in a process that can be murky, sometimes illegal and frequently violent.”⁸

Hidrovias has taken full advantage of the Bolsonaro government’s weak enforcement of environmental laws and tacit approval of illegal activities that spur deforestation in the Amazon rainforest.⁹ The ongoing destruction of the Amazon rainforest, largely at the expense of indigenous peoples, is largely influenced by large financial institutions and investment firms, which provide “billions of dollars in lending, underwriting and equity investment to soy and cattle companies... [which] enables agribusiness to maintain and expand operations, causing further devastation to the Amazon.”¹⁰ This devastation is apparent in the work of Hidrovias to build BR-163.

⁶ Intergovernmental Panel on Climate Change, “Special Report on Climate Change and Land: Land-climate interactions,” p. 2015, August 8, 2019, https://www.ipcc.ch/site/assets/uploads/sites/4/2019/11/05_Chapter-2.pdf.

⁷ New York Times, “Amazon Deforestation in Brazil Rose Sharply on Bolsonaro’s Watch,” Ernesto Londoño and Leticia Casado, November 18, 2019, <https://www.nytimes.com/2019/11/18/world/americas/brazil-amazon-deforestation.html>.

⁸ New York Times, “‘The Amazon Is Completely Lawless’: The Rainforest After Bolsonaro’s First Year,” Matt Sandy, December 5, 2019, <https://www.nytimes.com/2019/12/05/world/americas/amazon-fires-bolsonaro-photos.html>.

⁹ Washington Post, “The Amazon is burning,” Terrence McCoy, August 22, 2019, <https://www.washingtonpost.com/graphics/2019/world/amp-stories/amazon-fires-causes-rainforest-climate-change/>.

¹⁰ Amazon Watch, “Complicity in Destruction II: How Northern Consumers and Financiers Enable Bolsonaro’s Assault on the Brazilian Amazon,” April 2019, <https://amazonwatch.org/assets/files/2019-complicity-in-destruction-2.pdf>.

While the road remains publicly owned, Hidrovias has consulted with and helped finance the Brazilian government's efforts to develop and find funding mechanisms to pave BR-163, maintain the road, and reduce congestion to accelerate its shipments.¹¹ Hidrovias's investment in modernizing the road leads directly to deforestation. Earlier this year, the Bolsonaro government "announced that Hidrovias would partner in the privatization and development of hundreds of miles of the BR-163."¹² Hidrovias paid for a feasibility study on construction of the highway, which would rely on paving currently forested areas and improve the road which terminates at the company's grain and soybean shipping terminal. As a recent report documents, "The leading edge of the invasion of the jungle is being cut by ['land-grabbers'] who operate outside the law... then sell the newly cleared land to agribusiness concerns, whose harvest is driven on the highway to the [Hidrovias-operated] terminal, before being exported."¹³ The highway itself ultimately causes deforestation directly and indirectly accelerates the transition of the Amazon rainforest from jungle to farmland by incentivizing further agriculture development.¹⁴

By financing the company that profits from this destruction Blackstone's investments appear to pave the way for further deforestation and an exacerbated climate crisis.

Instead of taking responsibility for the roles Blackstone and Hidrovias have played in contributing to the threats to indigenous communities and the deforestation that have garnered widespread international concern and criticism,¹⁵ ¹⁶ your firm has attempted to deflect responsibility for the role of Hidrovias. In a press release, your company stated, "This road has been operated by the Brazilian government since 1976."¹⁷ However, Hidrovias is acting in close partnership with the Bolsonaro government to develop the road, which will soon be privatized, and the Bolsonaro government is using the feasibility study that you developed, calling into question the truth of your firm's claims that you have little involvement in these consequential decisions that are leading to deforestation.

The new highway will also increase deforestation indirectly by facilitating new demand for products that require deforestation to be cultivated. Since the beginning of the Bolsonaro government in January 2019, traders have invested heavily in building new export terminals and developing routes to ports, which has increased Brazil's soybean exports. According to recent reports, "From January through June 2019, soybean shipments from southern ports [in Brazil]

¹¹ Private Equity Stakeholder Project, "Blackstone investments driving Amazon deforestation and other climate concerns," September 22, 2019, <https://pestakeholder.org/blackstone-investments-driving-amazon-deforestation-and-other-climate-concerns/>.

¹² Intercept, "A Top Financier of Trump and McConnell is a Driving Force Behind Amazon Deforestation," Ryan Grim, August 27, 2019, <https://theintercept.com/2019/08/27/amazon-rainforest-fire-blackstone/>.

¹³ *Id.*

¹⁴ *Id.*

¹⁵ Guardian, "'War for survival': Brazil's Amazon tribes despair as land raids surge under Bolsonaro," Tom Phillips, October 2, 2019, <https://www.theguardian.com/world/2019/oct/02/war-for-survival-brazils-amazon-tribes-despair-as-land-raids-surge-under-bolsonaro>.

¹⁶ Washington Post, "Bolsonaro's Amazon-sized spat with Germany and Norway threatens Europe-South America trade deal," Marina Lopes, August 20, 2019, https://www.washingtonpost.com/world/the_americas/bolsonaros-amazon-sized-spat-with-germany-norway-threatens-europe-south-america-trade-deal/2019/08/20/cc60ee3c-c2b8-11e9-8bf7-cde2d9e09055_story.html.

¹⁷ Blackstone Group, "Setting the record straight on Blackstone's investment in the Brazilian company Hidrovias," September 10, 2019, <https://www.blackstone.com/blackstone-hidrovias-brazil>.

rose 16% from the same period in 2014, while exports from northern ports more than [tripled].”¹⁸ Infrastructure projects, like BR-163, that connect to export terminals such as those operated by Hidrovias facilitate increased exports of soybeans leading to additional demand. In order to produce those additional soybeans for market, additional land in the Amazon rainforest is cleared, to the detriment of the forest and all those who rely on it.

One defense of its role in facilitating increased demand for damaging crops made by, Hidrovias is that its practices are technically in compliance with the Amazon Soy Moratorium, which protects certain ecologically sensitive areas from cultivation.¹⁹ But that argument is misleading, because Hidrovias exports soybeans cultivated on land that in certain ecologically important areas like the Cerrado that are not covered by the moratorium.²⁰ Technical compliance with the Amazon Soy Moratorium does not mean that Hidrovias’s practices are environmentally sound or prevent the harmful deforestation of the Amazon.

While most of the Amazon rainforest is located in Brazil, Amazon deforestation and its associated climate effects remain an international crisis. Human-induced deforestation has already caused 20% of the Amazon rainforest to disappear in the last 50 years, and research shows that losing another 20% of the rainforest could trigger a cycle that would ultimately dry out the forest.²¹ The Amazon rainforest accounts for a quarter of the carbon absorbed by global forests annually and it has sequestered as much as 140 billion tons of carbon in the ground. If released, the rainforest could release the equivalent of up to 140 years of human carbon emissions.²² Already, reports also show that from January to July of this year, due to deforestation and fires, the Brazilian Amazon released “between 115 and 155 million tons of carbon dioxide emissions — roughly the total for the state of North Carolina.”²³

Given your firm’s direct investment in Hidrovias and in the private equity firm that largely owns the company, we are deeply troubled by Blackstone’s contributions to Hidrovias’s threats to the Amazon rainforest and its role in exacerbating the climate crisis. In addition to Blackstone’s investments in Hidrovias, your firm also reportedly has investments in other industries, both in the United States and around the world, that exacerbate the climate crisis, including coal and gas-fired power plants; oil and gas pipelines and infrastructure; oil and gas

¹⁸ Bloomberg, “Brazil’s Soybean Lead Over the U.S. Gets boost From Amazon Ports,” Tatiana Freitas, July 14, 2019, <https://www.bloomberg.com/news/articles/2019-07-14/brazil-s-winning-agriculture-record-boosted-by-ports-in-north>.

¹⁹ *Id.*

²⁰ Reuters, “Soy boom devours Brazil’s tropical savanna,” Jake Spring, August 28, 2018, <https://www.reuters.com/investigates/special-report/brazil-deforestation/>.

²¹ Business Insider, “Earth is a spaceship, and the Amazon is a crucial part of our life-support system, creating up to 20% of our oxygen. Here’s why we need the world’s largest rainforest.,” Morgan McFall-Johnsen, August 24, 2019, <https://www.businessinsider.com/why-amazon-rainforest-is-important-life-support-is-burning-2019-8>.

²² Yale School of Forestry & Environmental Studies, “Global Forest Atlas: Climate Change and Tropical Forests,” Accessed December 5, 2019, <https://globalforestatlas.yale.edu/climate-change/climate-change-and-tropical-forests>.

²³ New York Times, “‘The Amazon Is Completely Lawless’: The Rainforest After Bolsonaro’s First Year,” Matt Sandy, December 5, 2019, <https://www.nytimes.com/2019/12/05/world/americas/amazon-fires-bolsonaro-photos.html>.

exploration and production, including several companies with fracking and offshore drilling interests; and cement production.²⁴

In order to help us understand your firm's role in the logistics and resource extraction industries in or around the Amazon rainforest, we ask that you provide answers to the following questions no later than January 10, 2020.

1. Please provide the disclosure documents and information enumerated in Sections 501 and 503 of the *Stop Wall Street Looting Act*.²⁵
2. Which logistics or resource extraction companies, including all affiliates or related entities, in or around the Amazon rainforest, does Blackstone have a stake in or own? Please provide the name of and a brief description of the goods or services each company provides.
3. For each logistics or resource extraction company Blackstone has had a stake in or owned in the past twenty years, including all affiliates or related entities, in or around the Amazon rainforest, please provide the following information for each year that the firm have had a stake in or owned this company and the five years preceding the firm's investment.
 - a. The name of the company
 - b. Ownership stake
 - c. Total revenue
 - d. Net income
 - e. Percentage of revenue dedicated to research and development
 - f. Total number of employees
 - g. A list of all state and local jurisdictions with which the company has a contract to provide logistics or resource extraction services
 - h. Other private-equity firms that own a stake in the company
4. Has any logistics or resource extraction company, including all affiliates or related entities, in or around the Amazon rainforest, in which Blackstone has an ownership stake or has had an ownership stake in the last twenty years, been found to have violated any federal or state laws or regulations? If so, please provide a complete list, including the date and description, of all such violations.
5. Has any logistics or resource extraction company, including all affiliates or related entities, in or around the Amazon rainforest, in which Blackstone has an ownership stake or has had an ownership stake in the last twenty years, reached a settlement with any federal or state law enforcement entity related to a potential violation of any federal or state laws or regulations? If so, please provide a complete list, including the date and description, of all such settlements.


²⁴ Private Equity Stakeholder Project, "Blackstone investments driving Amazon deforestation and other climate concerns," September 22, 2019, <https://pestakeholder.org/blackstone-investments-driving-amazon-deforestation-and-other-climate-concerns/>.

²⁵ Stop Wall Street Looting Act, S.2155, <https://www.congress.gov/bill/116th-congress/senate-bill/2155>.

6. Has any logistics or resource extraction company, including all affiliates or related entities, in or around the Amazon rainforest, in which Blackstone has an ownership stake or has had an ownership stake in the past twenty years, reached a settlement with any state or local jurisdiction related to a potential violation of or breach of contract? If so, please provide a complete list, including the date and description, of all such settlements.

Thank you for your attention to this matter.

Sincerely,



Elizabeth Warren
United States Senator




Mark Pocan
Member of Congress




Raúl M. Grijalva
Member of Congress



Deb Haaland
Member of Congress



Rashida Tlaib
Member of Congress



Jesús G. "Chuy" García
Member of Congress



Sheldon Whitehouse
United States Senator