#NODAPL

Fact Sheet | Financial Status of Energy Transfer Partners | Dakota Access Pipeline*

Energy Transfer Has a History of Bad Dealings:

In September 2015 Energy Transfer agreed to a huge merger with Williams Cos, a natural gas pipeline company. That 33 billion dollar deal exploded in June of 2016 in what one industry analyst called "[t]he most abusive engagement in the energy sector…" and what the NY Times called "a nightmare." This merger-gone-bad has led to a further decline in Energy Transfer's balance sheet.

Energy Transfer Partners Debt:

Energy Transfer Partners is getting a failing grade from investment analysts because it is in such deep debt. "Energy Transfer Equity's and its subsidiaries' total outstanding debt by the end of second quarter of 2016 was $39.5 billion, which is ~$2.5 billion more than its debt outstanding at the end of 2015. This debt includes $28.9 billion of long-term debt sitting on Energy Transfer Partners' (ETP) balance sheet."

Main Issues:

* Dakota Access, LLC ('Dakota Access', a subsidiary of Energy Transfer) is deeply in debt and may run out of money before construction is complete.

* The largest banks in the world are subsidizing this crude oil pipeline that

  - has major climate change implications;
  - is a violation of the rights of indigenous peoples; and
  - threatens the drinking water of millions.

* Dakota Access is a major financial risk to these banks.

* Investors should divest from these financial institutions.

* The banks should cancel their loans.

* Regulators must scrutinize Dakota Access' permit conditions since the financial status of Dakota Access and its parent companies is so shaky.

The Banks:

The list of banks behind Dakota Access and its parent companies includes the major financial institutions of the world such as Wells Fargo, the Royal Bank of Canada and the Bank of Tokyo.

Dakota Access' Loans Dependent on Permits:

Some loans will not be granted until Dakota Access has all its permits. "The key Dakota Access loan," says Rainforest Action Network's Amanda Starbuck, "is still pending." It's a multibillion-dollar line of credit, but only $1.1 billion of the loan can be doled out until the company "resolves certain governmental permits." Citi, Mizuho, Bank of Tokyo MUFJ, and Mizuho Bank are leaders on that loan."

Dakota Access had promised state regulators like the Iowa Utilities Board that it would not begin construction until it had all of its permits in hand. The IUB issued its permit in March 2016 but the Army Corps of Engineers had not yet issued two of its permits. Dakota Access began construction in violation of its permit conditions and was sanctioned by the IUB. Dakota Access then petitioned the IUB to begin construction at its own risk while it waited for the Army Corps of Engineers' permits. The Corps nationwide permit was granted for all four states in July.

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Background

1. The parent company building the Bakken Oil pipeline across North Dakota, South Dakota, Iowa and Illinois is Energy Transfer Partners ('ETP'). ETP has created a subsidiary for this pipeline called, Dakota Access, LLC. Details of this transaction can be found on page 67 of ETP's 2014 annual report.

2. ETP is a Master Limited Partnership, an unusual corporate form that is primarily used for oil and gas companies.

A chart of the ownership can be seen here.

3. There are moral and financial reasons for banks and other investors divesting from Dakota Access. The moral arguments include the probability that a spill will contaminate the drinking water of the Standing Rock Sioux and rural people across all four states. The pipeline was sited without the consent of the Tribes, private landowners and the public. In the case of the Tribes, this is a violation of the UN Declaration of the Rights of Indigenous Peoples' requirement to obtain the free, prior and informed consent of Indigenous peoples before engaging in a project that affects their traditional lands and their future. The main financial reason for divesting is the high probability of Dakota Access being unable to complete construction and pay for environmental liabilities given its debt load and the fact that all its permits have not been granted. Furthermore, the likelihood of not being able to pay for a major spill exacerbates the unethical siting of the pipeline across the waterways of the Tribes.

Dakota Access' Loans Dependent on Permits, continued...

However, one other permit, the 408 permit for the pipeline crossing of Lake Oahe, part of the Missouri River, had not been granted by the Corps and as of Oct. 5, 2016 is still pending. Construction has also been enjoined by a federal court 20 miles on either side of Lake Oahe.

Low Oil Prices Further Imperil Energy Transfer Partners

As of early October, 2016 Bakken crude oil prices are below $50 a barrel. It costs more to produce Bakken crude than a corporation can get for a barrel of oil.

Insufficient Reserves for Current or Future Liabilities:

Energy Transfer Partners says in its 2015 annual report that it may not be able to pay for future liabilities. "We may incur substantial environmental costs and liabilities because of the underlying risk inherent to our operations. Although we have established financial reserves for our estimated environmental remediation liabilities, additional contamination or conditions may be discovered, resulting in increased remediation costs, liabilities or natural resource damages that could substantially increase our costs for site remediation projects. Accordingly, we cannot assure you that our current reserves are adequate to cover all future liabilities, even for currently known contamination." (pg. 4)

The acknowledgement that it may not be able to pay for future liabilities is relevant to Iowa because ETP gave irrevocable parental guarantees that the parent corporations would pay for damages or spills of its Dakota Access pipeline. These parental guarantees were part of the permit conditions established by the Iowa Utilities Board. These guarantees were the basis of the IUB's finding that Dakota Access met the public convenience and necessity criteria necessary for granting eminent domain. However, as of October 4, 2016, Dakota Access has not filed the parental guarantees for Sunoco, Enbridge or Marathon. In addition, the parent companies have more debt than assets. It appears, therefore, that those parental guarantees are worthless since DAPL's parental companies owe more money than they have in assets.