

Ecuador Ends One Chevron Battle. What Does It Mean for the War?

Ecuador last week paid Chevron Corp. \$112 million in an arbitration case dating back to the 1970s. The accord, while dealing with obscure contractual matters, could have ramifications for bigger court fights between the two fierce adversaries.

The government of Ecuadorian President Rafael Correa has taken an extremely hostile stance in other, pricier legal battles with the U.S. energy company. The natural question to ask is whether the payment signals a softening of the Ecuadorian position in the larger standoffs.

First, some background on a ridiculously convoluted legal scene: An international arbitration panel based in the Hague, Netherlands, awarded San Ramon, Calif.-based Chevron \$96 million in 2011 in a case concerning a four-decade-old arrangement under which Texaco (later acquired by Chevron) developed oil fields in the Amazon. The deal allowed Ecuador to obtain oil at below-market rates. The tiny Latin American nation appealed its arbitration defeat but without success. With interest accumulating, the judgment increased to \$112 million.

Both sides confirmed Ecuador paid the full amount. "Chevron is pleased that the Republic of Ecuador has met its international obligation by paying this award," the company said in an e-mailed statement. Diego Martinez, head of Ecuador's central bank, said in a local radio interview: ^[1]"We don't agree with how these international mechanisms work." But, he added, "we are respectful and we fulfill out international obligations."

Let's call this first Case A. Ecuador's payment to Chevron comes at a time when the Andean oil-producing nation faces a drain on revenue because of lower world crude prices. The payment is almost certainly intended as a message to outside investors that Ecuador wants to be business-friendly. (In a separate dispute, which we can call Case B, Ecuador earlier this year agreed to pay Occidental Petroleum Corp. almost \$1 billion to compensate it for seizing an oil field in 2006.)

Now let's move on to Case C—yet another legal fight in which thousands of Ecuadorian villagers and tribe members accuse Texaco of having left behind massive amounts of oil pollution from the late 1960s through the early 1990s. Case C led to a 2011 trial judgment in Ecuador holding Chevron liable for damages that now amount to more than \$9 billion. The Correa government has been strongly supportive of the plaintiffs and vociferously critical of Chevron in Case C.

Chevron, for its part, has refused to pay the pollution judgment, claiming that Case C was tainted by fraud, coercion, and fabricated evidence. In 2014 in the U.S., the energy company won a racketeering lawsuit against the main lawyer for the Ecuadorian plaintiffs, Steven Donziger. Call that one Case D. Donziger denies the Chevron allegations and has appealed the verdict.

To make matters even more complicated, Chevron has filed Case

E: a separate arbitration claim against the government of Ecuador. Still pending, Case E contends, among other things, that the country denied Chevron justice in Case C, the long-running pollution case.

So back to the question suggested by the \$112 million payment in Case A: Does Ecuador's action suggest the possibility of some kind of global settlement of the other pending disputes tied to Chevron and oil pollution?

I'd say maybe, but not necessarily. In part that's because Donziger and his allies still want Chevron to pay up in full.

Karen Hinton, the U.S. spokeswoman for Donziger and his clients, indicated in an e-mail that, whatever the Ecuadorian government may have in mind, her team isn't prepared to settle. "If Ecuador is following the 'rule of law' as described by the arbitration panel, then Chevron should do the same and pay the \$9 billion environmental damage award, as upheld by Ecuador's highest court," she said. "The Ecuadorians deserve the same treatment but, so far, they have been treated as if their suffering and loss is of no concern, legally or morally."

To get what they believe is theirs, Donziger's clients are seeking the assistance of the Canadian judicial system. They've asked Canada to force Chevron to comply with the Ecuadorian judgment by selling off the company's Canadian assets and paying the proceeds to the Ecuadorians. For those scoring at home, that would be Case F.

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Referencias

¹^ said in a local radio interview: (af.reuters.com)

²^ [LEARN MORE](#) (bloom.bg)