

# Ecuador Court Fines Chevron \$8.6 Billion

## **Kluwer Arbitration Blog**

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Today an Ecuador court fined Chevron \$8.6 billion for environmental damage. According to the Wall Street Journal, \$5.4 billion of that is to restore polluted soil, \$1.4 billion to create a health system for the community, \$800 million to treat individuals injured by the pollution, \$600 million to restore polluted waters, \$200 million to restore native species, \$150 million to transport water, and \$100 million to create a community cultural reconstruction program. The judgment in Spanish is available here. (English translation forthcoming)

Chevron responded to the judgment with the following statement:

The Ecuadorian court's judgment is illegitimate and unenforceable. It is the product of fraud and is contrary to the legitimate scientific evidence. Chevron will appeal this decision in Ecuador and intends to see that justice prevails. United States and international tribunals already have taken steps to bar enforcement of the Ecuadorian ruling. Chevron does not believe that today's judgment is enforceable in any court that observes the rule of law. Chevron intends to see that the perpetrators of this fraud are held accountable for their misconduct.

Amazon Watch responded with its own statement:

Today's case is historic and unprecedented. It is the first time Indigenous people have sued a multinational corporation in the country where the crime was committed and won. Today's historic ruling against Chevron is a testament to the strength of the Ecuadorian people who have spent 18 years bringing Chevron to justice while suffering the effects of the company's extensive oil contamination.

To give one perspective, Ecuador's GDP is \$42 billion, so the award exceeds 20% of Ecuador's total annual GDP. The total amount awarded by the United Nations Compensation Commission against Iraq for the environmental damage to Kuwait and other neighboring countries resulting from the 1991 Persian Gulf war was \$5.3 billion. Exxon paid just over \$4.3 billion for the damage caused by Exxon Valdez.

The next step for Chevron is to appeal the judgment in Ecuador and then challenge enforcement abroad. The plaintiffs have been ordered by a U.S. federal court to cease further litigation of the case and have been enjoined from benefiting from recognition or enforcement of any judgment. Ecuador has been ordered by an BIT tribunal to "take all measures at its disposal to suspend or cause to be

suspended the enforcement or recognition within or without Ecuador of any judgment against [Chevron]." Given the orders of the United States federal court and the arbitral tribunal, the plaintiffs will have an extraordinarily difficult time executing judgment. If they do, I would strongly suspect that the federal court would hold the plaintiffs in contempt of court and the arbitral tribunal would hold Ecuador liable for any damage Chevron suffers in paying on the judgment.