

# World's central banks financing destruction of the rainforest

**Corporate bonds intended to inject liquidity into markets profited companies engaged in deforestation**



Corporate bonds purchased by central banks in the UK, US and EU member states have financed companies engaged in the destruction of the Amazon, as scientists report that deforestation may have passed the tipping point. Photograph: Michael Dantas/AFP/Getty Images

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**Andrew Downie** in *São Paulo*

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Some of the world's biggest central banks are unwittingly helping to finance agri-business giants engaged in the destruction of the Brazilian Amazon, according to a report published on Wednesday.

The Bank of England, the US Federal Reserve and the European Central Bank are among the institutions that have bought millions of dollars in bonds issued by companies linked to deforestation and land-grabbing, according to the **report [Bankrolling Destruction](#)**, published by the rights group Global Witness.

“Because these programmes are guaranteed by the respective governments in the UK, the US and EU Member States, this means taxpayers throughout those territories are unwittingly underwriting companies engaged in the destruction of the Amazon and other rainforests,” according to the report.

The banks buy corporate bonds issued by big companies in an attempt to inject liquidity into financial markets when the private sector is reluctant to lend. Known as “asset purchase programmes”, these measures aim to reduce the cost of borrowing for companies and were used extensively during the pandemic as a way of bolstering economies.

Some of the companies that sold bonds are linked to environmental destruction, the report says, naming Cargill, Inc., the Archer-Daniels-Midland Company (ADM) and Bunge Ltd Financial Corp, three of the biggest agri-business conglomerates operating in Brazil.

Brazil is one of the world’s biggest producers or exporters of grains, coffee, soy, fruit and other raw materials, and all three companies have faced previous allegations of wrongdoing. The [Guardian reported](#) on links between Cargill and Bunge and a Brazilian farm which has been connected to abuses of indigenous rights and land.

Addressing the allegations in the Global Witness report, Cargill said it was “committed to ending deforestation and conversion in our agricultural supply chains” and Bunge stated it was “committed to complying with all regulations either in local or global markets and to adhering to our own strict social-environmental policies”. ADM did not respond to requests for comment.

But it was the central banks that bore the brunt of the criticism. “Since 2016, the Bank of England has also purchased an undisclosed share in a £150m corporate bond issued by Cargill, Inc., and the [European Central Bank](#) has bought an undisclosed amount of debt issued by Bunge Finance Europe B.V.,” the report says.

And in just the last two years “the US [Federal Reserve](#) has bought a combined total of \$16m of bonds issued by the Archer-Daniels-Midland Company (ADM) Bunge Ltd Financial Corp, and Cargill, Inc.

“All this comes despite the repeated public statements from all three central banks stressing the risks that climate change poses to financial stability and long-term economic growth.”

Global Witness said the Federal Reserve had “wound down” its bond buying scheme and the **Bank of England** would start the same process this month.

The Fed said it had adopted the policy as a one-off measure in 2020 to save jobs during the global pandemic, and had no plans to do so again.

The Bank of England said it had taken measures to lower borrowing costs for all firms and to highlight the support given to Cargill was “an extremely narrow focus”.

The European Central Bank, meanwhile, said it “aims to gradually decarbonise its corporate bond holdings, on a path aligned with the goals of the Paris Agreement. To that end, the Eurosystem will tilt these holdings towards issuers with better climate performance through the reinvestment of the sizeable redemptions expected over the coming years.”

However, Global Witness said the refusal of UK and EU banks to publish the values of their holdings in the companies created “a lack of transparency”.

“As supervisors of the private financial sector, central banks must lead by example and adopt an explicit zero-deforestation policy as part of their approach to climate change, including divestment from all deforestation-linked bonds and greater scrutiny of the threat to financial stability posed by deforestation and biodiversity loss,” the report said.

The report comes amid ongoing destruction in the Amazon region, a vast area covering parts of nine different South American countries and a vital carbon sink to absorb the emissions driving the climate crisis.

Deforestation under far-right President **Jair Bolsonaro** hit a record high for the first seven months of the year, the latest shocking statistic under a president who has turned a blind eye to the illegal loggers, ranchers and miners active in the region.

Already, 26% of the Amazon has been cut down and **some parts have passed the tipping point** where previously lush forest have turned into dry savannah,

according to a report issued early September by scientists and Indigenous organisations.

“I think this report is a very useful piece of analysis which highlights the need for central banks to look at their exposure to deforestation in their portfolios,” said Nick Robins, a professor of sustainable financing at the LSE.

“2022 really is the year that central banks recognised nature risk as a threat to institutions. The focus up to now has been on the energy sector but this is another signal that deforestation and land use needs to be put at the heart of climate scenarios.”