

# State Department Keystone XL Contractor ERM Bribed Chinese Agency to Permit Project

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Global Research, December 02, 2014  
[DeSmogBlog](#)

Region: [Asia](#), [USA](#)  
Theme: [Environment](#)

*[Environmental Resources Management \(ERM Group\)](#), the consultancy selected by [TransCanada](#) to conduct the environmental review for [Keystone XL](#)'s northern leg on behalf of the U.S. State Department, is no stranger to scandal.*

Exhibit A: ERM once [bribed a Chinese official](#) to ram through [major pieces of an industrial development project](#). ERM was tasked to push through the project in [Hangzhou Bay](#), located near Shanghai.

Accepting the bribe landed Yan Shunjun, former deputy head of the Shanghai Municipal Environmental Protection Bureau, an [11-year prison sentence](#).

Yan "allegedly took bribes of 864,000 yuan (126,501 U.S. dollars), 20,000 U.S.dollars and 4,000 euros from seven contractors," [explained Xinhuanet](#). "Yan was also accused of illegally setting up a channel to speed up environmental impact assessment processes, which are essential for companies wanting to build factories."

BP, one of the companies standing to gain if Keystone XL North receives a presidential permit from the Obama administration as a [major Alberta tar sands producer](#), was also mired in the Chinese ERM Group scandal.

"Two firms on ERM's bluechip client list, BP and Sinopec, are big investors in a petrochemical complex on the site, but the Chinese authorities apparently saw no conflict of interest in awarding the environmental evaluation to ERM," [explained London's Sunday Times](#).

In a sense, history has repeated itself.

## Hopenhagen to Paris

Back in 2009 when news arose of ERM's bribery and corruption, Chinese environmental campaigners [worried the incident could portend a lack of commitment](#) to tackling climate change in the months leading up to the United Nations climate summit in Copenhagen, Denmark.

Now, five years later, with the Lima COP20 underway and the critical [UNclimate summit in Paris](#) looming, the recent [climate deal signed between the U.S. and China](#) has taken center stage.

But Keystone XL will soon be front and center once again in early 2015 in the halls of

Congress and the White House.

Environmentalists fear that opening another route between Alberta and the U.S. Gulf Coast for [tar sands](#) crude would ensure the deal struck between the two carbon-emitting giants [becomes a moot point, or worse](#).

### **Bribery as “Investment”**

A commenter on [People’s Daily](#), the state-owned newspaper in China, wrote that bribery was merely the cost of doing business and an “investment” of sorts.

“Foreign firms have quickly learnt the philosophy of *guanxi* [connections],” [wrote the commenter](#). “Their rule has become, ‘When in Rome, do as the Romans do.’”

ERM, in turn, denied any wrongdoing on its end, even though it had doled out the payments landing Yan in jail to begin with.

“ERM Group had no advance warning of any of the alleged payments to the former deputy director of the Shanghai Environmental Protection Bureau,” [ERM declared to the Sunday Times](#).

“To suggest otherwise is damagingly inaccurate. We are committed to: conducting our business with integrity, applying ethical principles to our relationships with clients.”

### **KXL, ERM: Institutionalized Corruption**

In the U.S. context as it pertains to Keystone XL, ERM’s conduct has been far less ham-handed than it was in China.

By procedure and by law, the company applying for the permit gets to pick and pay for the contractor conducting the environmental review on behalf of the State Department. In this case, it meant TransCanada selected ERM Group to give it a rubber stamp of approval for KXL.

In other words, the State Department has legalized a de facto form of “institutionalized corruption” for handling environmental reviews for cross-border pipelines like Keystone XL’s northern leg. [Sierra Club attorney Doug Hayes](#) described it as a “[built-in conflict of interest](#)” in a 2013 Bloomberg Businessweek article.

ERM Group, with a track-record of rubber-stamping ecologically hazardous projects in places ranging from [central Asia](#) to [Peru](#) to [Alaska](#) to [Delaware](#) and China, has proven itself once again a key tentacle of the “[carbon web](#)” for Keystone XL.

The question remains, though: will the sordid episode in the city near Shanghai serve as a teachable moment as applied to the tar sands pipeline described as a “[fuse to the biggest carbon bomb on the planet](#)”?

We’ll find out, and likely soon.

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