

121 mil Swiss Francs: these are the losses recorded at the end of 2014 by the Trans Adriatic Pipeline AG (TAP) company, the consortium in charge of the trans-Adriatic Pipeline which has its headquarters in Baar, in Zug canton. An important amount compared to TAP's capital, which year amounted to 274 mln francs. But the company's 2014 balance sheet, which La Cité has been able to see, conveys much more worrying truth.

Experts from Deloitte, the responsible for analysing accounts, first of all issues a warning: "The project is subject to a number of risks which may vary over time." They then go on to claim that there are problems associated with permissions political or technical which may include delays in the schedule for the project of spending surpluses which could lead shareholder to conclude that the project is not possible". This is a possibility that could lead partner companies "To decide to dissolve the company".

The Trans Adriatic Pipeline has been designed to connect Greece to Italy. It is expected to transport 10bln m<sup>3</sup> of gas per year to Puglia region, after crossing through Greece, Albania and Adriatic Sea. This gas, to be sourced from the Shah Deniz II field in Azerbaijan, would first transit through the Trans Anatolian Pipeline (TANAP). The project was launched in 2003 by the Swiss company EGL (Eletrizitäts-Gesellschaft Laufenburg) now part of Axpo Group, a public energy group owned by various German speaking cantons.

In spite of Axpo's triumphant marketing, which declared that the first gas delivery through TAP would take place by 2020, the implementation of the gas pipeline now rests on fragile financial grounds. Besides, as emphasised by the experts from Deloitte, the construction of the pipeline "impacts regions with unstable political situations" and "the project may face unexpected geological challenges".

In this uncertain context, the European Investment Bank (EIB) could intervene and grant a loan. This public institution, owned by European states, launched a consultation last August to raise €2 billion. It would be the largest loan ever granted by the EIB. This would not be the first public loan to TAP. In 2004 and 2005 the European Union granted two sums - for a total of around €3 million - for the pipeline's feasibility study. The beneficiary of these loans was the Italian company EGL Produzione Italia Spa, held by EGL Holding Luxembourg.

In 2008, the Norwegian company Statoil joined the project. The financial package was thus modified. One of the aforementioned loans has gone to a different recipient: it was transferred to TAP Asset Spa, an Italian company 50% controlled by EGL (a Luxembourg holding company) and 50% by Statoil (Dutch subsidiary). This amounts to almost €2 million transferred to TAP Assets in November 2009. However, a few months earlier, the same TAP Asset sold the Trans Adriatic Pipeline project to the Swiss company TAP AG for just over €14 million. The latter would continue to manage the project while TAP Asset was liquidated

in Italy in 2011.

From that moment, the TAP project was to gain strong political support from the Confederation. Most notably from the Minister for Energy, Doris Leuthard, who served between 2002 and 2006 on EGL's Board of Directors. From 2008 onwards, federal advisers' trips to Azerbaijan began to increase, a notoriously corrupt country where human rights are not respected.

On 14 November 2011, Doris Leuthard went to Baku accompanied by Hans Shulz, CEO of EGL. The official purpose of the trip was to support TAP in order to "improve the natural gas security of supply" of Switzerland. Two days after the trip, a press release announced the acquisition of US giant Esso's Swiss operations, including 170 petrol stations, by SOCAR, the Azerbaijani state company. SOCAR had already established its trading office in Geneva in 2007.

Azerbaijan has the wind in its sails when it comes to the Confederation. In 2008, a Swiss-Azerbaijan inter-parliamentary group was set up. The group's secretariat, established in Baden...in Axpo's headquarters, is headed by Thomas Hasselbarth, founder of the TAP project when he was working for EGL's gas department - he is currently an executive in Axpo and Vice President of TAP AG. The Confederation's official support was decisive in the consortium managing the Shah Deniz deposit - including, among others, BP, SOCAR, Total and Statoil - choosing TAP as the project for delivering Azerbaijani gas to Europe.

In June 2013, the Swiss-Norwegian consortium, joined in the meantime by German company E.ON, definitively won against the rival Nabucco project, which would have ended in Austria. After winning the tender, the consortium altered its shareholder structure.

Companies with a share in the Azeri gas field took shares in the ownership of TAP AG: SOCAR and BP with 20%, Total with 10%. The Belgian company Fluxys (19%) and the Spanish company Enegas (16%) subsequently joined, replacing E.On and Total which had both left in the meantime.

And Axpo? The Swiss group has since then drastically reduced its stake in the project from 42.5% to 5%, a share capital which is now registered in the name of Axpo Trading (EGL's new name). Surprisingly, although owning a very small minority share, the Swiss company retains the vice-chairmanship of the board, a chair occupied by Thomas Hasselbarth, first president of the company when it was set up in 2007.

Still the company is influenced by SOCAR: the president of TAP AG is Zaur Gahramanov, a member of SOCAR trading and son of an executive in the parent company. SOCAR's shares in TAP AG are held by a small limited liability company in Zoug, the AzTAP GmbH, chaired by the same Gahramanov and controlled by the Southern Gas Corridor Closed Joint-Stock

Company from Baku. Set up in 2014, the latter is directly controlled by the Azeri government. In TAP AG's 2014 balance sheet, we learn that the project "depends on future funding from shareholders". These shareholders in 2014 took part in three recapitalisations bringing the total capital to 274 million francs. In late November 2015, the capital was again increased by almost 100 million, taking it to 361.4 million francs.

In September 2014 in Italy, the environmental impact assessment Commission gave its permission for the project. Yet in the Italian Ministerial Decree, the green light is conditional on compliance with 53 technical requirements which the company must carry out before completing the work. Around forty of these requirements relate to the phase preceding the opening of the worksite, yet only three have so far been endorsed by the authorities.

Moreover, at local level in Puglia there is strong opposition due to the environmental consequences this pipeline could generate.

It is not over. Early last December, continuing its divestment policy from Shah Deniz, Statoil decided to sell its shares in TAP AG to the Italian company Snam for €208 million. The fact that one of the two project sponsors is withdrawing from the project could mean that the challenges have become insurmountable. And that the project, strongly supported by the Confederation, could fail. Last March, Bern provided a 6.6 million Francs loan to Albania to modernise its gas infrastructure to ensure the management of the Albanian section of the Trans Adriatic Pipeline. We will find out soon whether that money too has been wasted.

\*Contacted, the TAP AP Company has for the moment not been willing to answer our questions. Is it worried? How does it plan to react to these revelations about project difficulties? The 2014 report prepared by Deloitte may contain the answer to these questions: "The Board and management of the company do not foresee and are not aware of relevant impediments to the project."

source: counter-balance.org