

Europe development banks plan £5.5bn backing for gas project 'with mafia links'

Europe's development banks are proposing some of their biggest investments - currently more than \$6.8bn for a gas pipeline being built by several firms with historic links to cartels, corruption and the mafia, according to a new report.

The 3,500km "southern gas corridor" project is seen as an energy security safeguard by EU leaders, and should begin ferrying gas to Europe from Azerbaijan by 2020.

Searching for our missing children: 'It's been six years. It feels like yesterday'

After the European commission listed it as a "priority" project, the European Investment Bank proposed a record €2bn cash injection for the Trans-Adriatic Pipeline and €1bn for a Trans-Anatolian Natural Gas Pipeline Project.

The European Bank of Reconstruction and Development is also considering a €1.5bn loan.

Three of the Italian firms hired to build the \$45bn pipeline have had past mafia connections, according to Italian prosecutors cited in the Bankwatch report.

A company contracted by Bonatti, which is building about 760km of the pipeline, was barred from public contracts bidding after being served with a "mafia disqualification" notice by Italian police in 2010. And two employees of a company contracted by Bonatti in Sicily were jailed for mafia associations last year.

Bonatti originally declined to comment on the Bankwatch report but have since said: "The allegations concerning Bonatti and its subsidiaries referred to in the [original] Bankwatch Report [since amended to clarify the relationships between the companies] and reported by the press are groundless. Neither Bonatti or any of its subsidiaries have ever been involved in the events quoted and were never, and are not, subject to judicial proceedings related to the events quoted by the Bankwatch Report."

The European commission temporarily halted €13.5m of regional funds to Greece last summer, after a state competition committee accused three of the companies building the pipeline there of cartel involvement, including Ellaktor.

Leonidas Bobolas, Ellaktor's CEO, had a European arrest warrant taken out against him in May. His lawyers said that no charges had yet been pressed against their client, but that a misconduct inquiry by the Greek prosecutor's office is ongoing. Bobolas also recently appeared on the "Lagarde list" of tax evaders; his lawyers said that this issue had been finally and irrevocably dismissed following an administrative settlement with the Greek tax authorities 18 months ago.

The EBRD said it could not comment on the cases without seeing the report. "We, of course, always carry out strict due diligence before any project," Anthony Williams, the bank's head of external relations, told the Guardian. "No decision either way has been made in the case of this particular investment."

But public money is also being readied for the project from beyond Europe. The World Bank is reportedly putting the finishing touches to a \$1bn loan this month, while the Asian Infrastructure Investment Bank has approved \$600m of revenues.

The Asian Development Bank last week signed off on another \$1bn loan to expand Azerbaijan's source Shah Deniz gas field, which will be run by BP, ahead of the pipeline's construction.

Azerbaijan has an atrocious human rights record, which has been criticised by western governments. But it is also thought to possess up to 2.5tn cubic metres of natural gas, enough to provide Europe with a fifth of its gas needs in the decades ahead.

That has spurred interest from international finance institutions keen to invest in a "bridge" fossil fuel - such as natural gas - pushed by oil companies as "the key energy for a low carbon future", although such claims are contested.

The European commission has estimated that improved energy efficiency measures could reduce Europe's gas imports by 174m tonnes of oil equivalent annually by 2030, around 20 times more than the projected import volumes from central Asia.

The Azeri human rights activist and former Amnesty prisoner of conscience Rasul Jafarov has linked the deterioration in constitutional freedoms under Ilham Aliyev's regime to fossil fuel money.

"Before the oil and gas incomes came to Azerbaijan, we had more democracy and freedom," he said in 2014. "The main income from oil came in 2005 when the Baku-Tbilisi-Ceyhan pipeline started to operate. And from that time, the situation started to deteriorate."

- This article was amended on 22 December 2016 to include a response from the Bonatti group and to reflect emendations made to the Bankwatch report after it was originally published, which clarify that the companies referred to are subcontractors of Bonatti.

source: theguardian.com