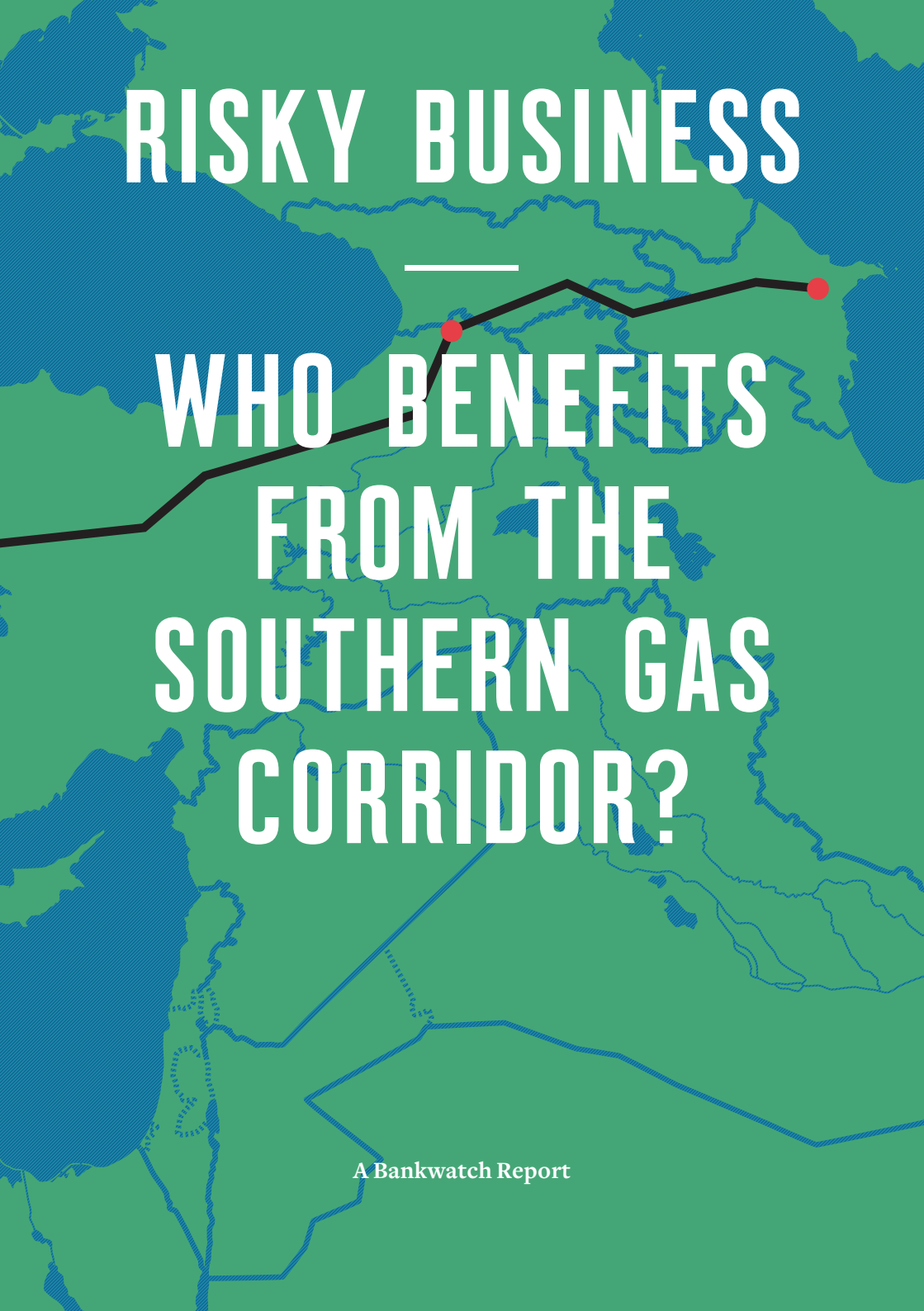
RISKY BUSINESS

WHO BENEFITS FROM THE SOUTHERN GAS CORRIDOR?



A Bankwatch Report

RISKY BUSINESS

WHO BENEFITS FROM THE SOUTHERN GAS CORRIDOR?

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THE SOUTHERN GAS CORRIDOR

- TRANS ADRIATIC PIPELINE [TAP]
- TRANS ANATOLIAN PIPELINE [TANAP]
- SOUTH CAUCASUS PIPELINE EXTENSION [SCPX]

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EXECUTIVE SUMMARY

The Southern Gas Corridor, a 3,500 kilometre system of pipelines meant to bring gas from Azerbaijan into Europe, is the new pet project of the European Union in the energy sector. It is presented as a panacea for all ills: reducing Europe's reliance on Russian gas, contributing to the move away from coal, and bringing energy and business to the poorer southeastern Europe. It is set to benefit from some of the biggest loans in the history of European public banks.

Critics[1] of the pipeline argue that forecasts of gas demand in Europe do not justify this pipeline. Relying on authoritarian Azerbaijan (and Turkey) to secure Europe's energy needs is not much change from depending on Russia but rather a way to strengthen more tyrants. Massive pipeline projects promoted by the EU in the past, such as Baku-Tblisi-Ceyhan, have come with human rights abuses and the militarisation of the route of the pipelines, and that should serve as a warning. Decentralisation, not mega-projects, is the way to energy security, the critics claim.

Whether the Southern Gas Corridor will end up fulfilling lofty political ambitions or benefiting European citizens beyond the circles of power promoting the project is a big question with an uncertain answer. What is sure, though, is that those already benefiting from the mega-pipeline are the companies responsible for building it.

This report looks at companies contracted to build the European parts of the pipeline in Greece, Italy and Turkey. Promoters of the Southern Gas Corridor stress the fact that local companies and labour are used to build the pipeline system, bringing significant benefits to national economies. We wanted to see who these local actors are.

The results of our research are startling. We found that many of the companies contracted to build sections of the pipeline have a history of corruption, often proven by official investigations and convictions.

In Greece, a state committee in charge of competition accused several of the companies hired to build the pipeline of being members of a cartel operating in the construction sector for decades, allegedly taking turns in winning public bids, potentially inflating prices and passing on the costs to the public. In response to the accusations, the European Commission this year threatened to suspend its funds for Greece pending further investigation into the activities of the cartel. One CEO of a Greek company contracted for the project is the subject of a European Arrest Warrant for corruption and recently paid €1.8 million to Greece in order to escape jail time for tax evasion and money laundering. He remains on the Lagarde list, a notorious compilation of 2,000 Greeks with deposits in Switzerland, including many tax evaders.

In Italy, three of the companies hired to build the pipeline have had connections to mafia groups in the past, according to investigations by Italian prosecutors. Another company has been repeatedly convicted for corruption by courts in Italy and abroad and is under investigation for corruption in several other countries.

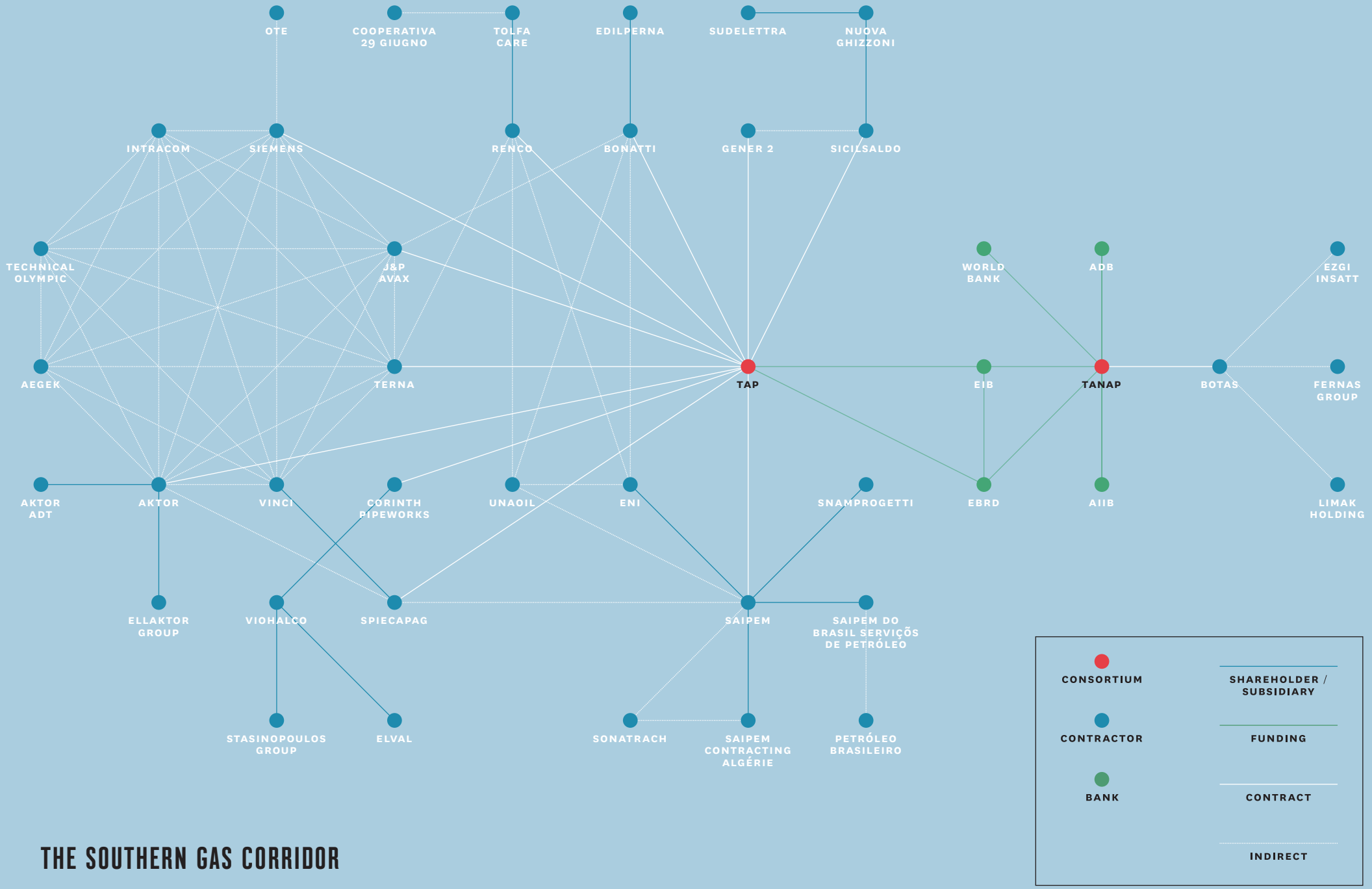
In Turkey, the main company responsible for the Turkish section of the pipeline, the state-owned Botas, has been over time linked to major corruption schemes. The owner of one of the private companies contracted to build a section of the pipeline and the chairman of the board of another were convicted for corruption (at times in connection with the same scandals

involving Botas). Most of the convictions have been reversed by the Turkish Supreme Court, though some of the evidence remains in the public record.

The records of the companies surveyed give pause to consider what kind of reality the EU dream of energy security is turning into. Are these companies able to deliver on such a highly-sensitive project? What risks is the European Commission taking by supporting a flagship energy project whose construction has been entrusted to companies accused and at times convicted of corruption, acts which have lead the Commission itself to threaten suspension of payments to a country in question? If in the past some of these companies have — repeatedly — paid mafia taxes or corrupted officials, what kind of mechanisms will the public banks financing the pipeline put in place to ensure their biggest ever loans do not get into the wrong pockets? Can Europeans, in whose name this pipeline is built, accept that it be constructed by companies that have in the past impoverished state coffers at home or abroad?

1

WHAT IS THE SOUTHERN GAS CORRIDOR?



THE SOUTHERN GAS CORRIDOR

The Southern Gas Corridor is a 3,500 kilometre [km] system of pipelines meant to bring natural gas into Europe from the Caspian Sea and the Middle East.

In 2008, the European Commission announced plans to build the Southern Gas Corridor as the main political priority of the European Union, with the stated goal of ensuring the Union's energy security and diversifying its supply of energy away from Russia. In the words of then Commission President Jose Manuel Barroso, the project answered the need for "a collective approach to key infrastructure to diversify our energy supply — pipelines in particular. Today eight Member States are reliant on just one supplier (Russia) for 100% of their gas needs — this is a problem we must address".[2]

The pipeline is initially meant to bring gas from Azerbaijan's Shah Deniz field, located in the Caspian Sea 70 km southeast of the capital Baku. Its backers in the Commission say it could potentially also carry gas from Turkmenistan, Iraq, Iran and even Israel, Egypt or Cyprus.[3] The pipeline would finish on EU territory in the Apulia region of southern Italy, passing via Azerbaijan, Georgia, Turkey, Greece and Albania and crossing under the Adriatic Sea.

Developers divide the Southern Gas Corridor into several components:

- Shah Deniz 2 development, expanding the Shah Deniz field produces gas offshore in the Caspian.

- Expansion of the natural gas processing plant on the Azeri Caspian coast.

- Three pipeline projects:
  South Caucasus Pipeline extension (SCPX) — Azerbaijan, Georgia.[4]
  Trans Anatolian Pipeline (TANAP) — Turkey.[5]
  Trans Adriatic Pipeline (TAP) — Greece, Albania, Italy.[6]

- Expansion of the Italian gas transmission network.

- Possibilities of further connection to gas networks in southeastern, central and western Europe.

The first gas via the pipeline is planned to arrive in Turkey in 2018 and in the EU by 2020.[7] Work on the separate elements of the pipeline has already started this year. The pipeline is meant to carry at least 16 billion cubic metres [bcm] of gas annually, with the possibility of increasing capacity if needed.

The Southern Gas Corridor is one of the so-called *clusters* of Projects of Common Interest,[8] which the European Commission deems crucial for completing an integrated and secure European energy market. The projects on this list benefit, among others, from faster and easier permitting procedures as well as more and quicker access to European public funds

(both from EU funds and via EU banks) which should in turn make private financing more likely.

With an estimated cost of $45 billion (about €40 billion), the Southern Gas Corridor is set to receive some of the largest loans in the history of European public banks.

The European Investment Bank (EIB) is currently assessing a loan of €2 billion, the biggest loan in its history, for the Trans Adriatic Pipeline (TAP), the western branch of the Southern Gas Corridor starting from the Turkey-Greece border, crossing Albania and finishing in Italy.[9] The European Bank for Reconstruction and Development (EBRD) is set to provide another €1.5 billion for TAP, half a billion from its own money and the rest via a syndicated loan from private banks that the EBRD is arranging.

TANAP, crossing Turkey, is likely to get loans of €1 billion each from the EIB and the World Bank,[10] and an as yet unspecified amount from the EBRD.[11]

The EBRD, together with the Asian Development Bank and the Black Sea Trade and Development Bank, are arranging $1 billion of financing for the development of Shah Deniz 2, with the EBRD and ADB each granting loans of a quarter billion and the remainder to come from a syndicated loan of private banks arranged by the international public lenders.[12]

WHOM DOES THE SOUTHERN GAS CORRIDOR BENEFIT?

The European Commission and European politicians promoting the pipeline argue that it would play a significant role in meeting the bloc's energy needs.

And yet since 2007 and the onset of the economic crisis in Europe, gas demand on the continent has decreased. The EU's own 2050 Energy Roadmap predicts that natural gas imports into Europe will decrease under all possible scenarios considered.

The European Commission estimates that if the EU's 2030 energy efficiency goals are met, EU gas imports would be reduced by 174 Mtoe per year by 2030. This is about 20 times more than projected import volumes via the Southern Gas Corridor, showed a 2014 study by think tank E3G.[13]

The same study shows that the EU did not use the same figures to assess the need for the pipeline, but instead projected European gas demand in 2030 to be 72% higher than if the EU's energy efficiency goals are met.[14]

Individual countries along the route of the Southern Gas Corridor expect further benefits from the pipeline. In addition to the promise of local jobs to construct the pipelines and annex infrastructure, countries hope domestic economic activity will be stimulated and that the pipelines will bring budget revenues. Greece hopes to become a regional gas hub, Italy plans to improve its national gas transmission network, and Albania dreams of building one.

In exchange for these promises, countries along the pipelines offer initial tax breaks to the consortiums building them. They offer safeguards for loans

taken up by the private developers, sometimes under conditions not made public.[15] They accept that the expropriation of people along the route, and the destruction of land is done in fast-tracked processes that raise serious doubts as to whether people are properly consulted and justly compensated for their losses.[16]

Despite assurances from international lenders like the EIB and the EBRD that permitting conditions for the various elements of the pipeline are satisfactorily met,[17] people along the route are already showing signs of disquiet. In Greece, there are several cases in front of its supreme court concerning the faulty implementation of the environmental impact assessment procedure. In Italy, local communities and their mayors in Apulia, where the pipeline is set to finish, are strongly opposed to the project ending on their protected beaches and organic farms. The Italian ministries of environment and culture have expressed reservations about TAP.[18]

The example of the Baku-Tbilisi-Ceyhan pipeline, another EU pet project built with EU public money including from the EBRD, provides a cautionary tell about the failure of governments and developers to respect human rights while building the pipeline, in spite of promises to do so. Criticising the BTC pipeline was not tolerated in the three countries involved — Azerbaijan, Georgia and Turkey (all three are also on the route of the Southern Gas Corridor). While journalists were arrested in Azerbaijan, critics were intimidated, arrested and tortured in Turkey.

In 2011, the UK government announced that the BTC Company had broken the commitments it had made to international human rights standards. Already in 2010, following a complaint to the US government, the Overseas

Private Investment Corporation, another project investor, recommended that BP, one of BTC project sponsors, needed to better safeguard the pipeline and "to comply with the applicable environmental and social policies and guidelines of the lenders [...] and with national law."[19]

In both Turkey and Azerbaijan, the Southern Gas Corridor is a political priority for governments known for their authoritarianism and human rights abuses. In the wake of the July 2016 failed military coup in Turkey, EU and Turkish authorities were quick to assert that TANAP, the Turkish segment of the pipeline, was on track and not affected by political developments.[20] Turkey watchers have long warned about the likelihood of a military corridor along the route of the pipeline, where police rules and rights are suspended.[21] The post-coup practices of the Turkish government indicate that such a scenario is at least possible.

Azerbaijan too, which the EU believes is an alternative to authoritarian and unpredictable Russia, is a shameful ally for Europe. The Aliyev family dictatorship has held onto power for two decades, through a combination of fraudulent elections, prosecution and assaults against critics, and the curtailing of media freedoms. The case of journalist Khadija Ismayilova, who was in 2015 sentenced to seven and a half years in prison for investigating the Aliyevs' fortunes, is a symbol of how the Azeri government treats its citizens. While she was finally released after 18 months due to international pressure, she has pointed out that dozens of others are still being arrested.[22]

THE COMPANIES

TAP AG, the consortium in charge of building TAP, is registered in Baar, Zug canton, the most secretive tax jurisdiction in Switzerland. According to TAP AG, its shareholders are "major energy companies", but on a closer look, many of them are limited liability companies whose main activity is energy trading and whose ultimate beneficiaries are not always clear. Shareholders of TAP AG are Axpo Trading AG (registered in Dietikon, Switzerland), BP gas marketing Ltd. (registered in Belgium, part of BP Gas marketing Ltd.), Fluxys Europe B.V. (registered in Rotterdam, The Netherlands), Enagas Internacional S.L.U. (holding company registered in Madrid), Snam SpA and AzTAP GmBH (registered in Zug).[23]

The Southern Gas Corridor Closed Joint Stock Company, controlled by the Azeri government,[24] owns 58% of shares in TANAP, with Turkish state energy company Botas owning 30% and BP the remaining 12%.[25]

Beyond the main shareholders of the consortiums, hundreds of other companies are benefitting from the pipeline deal, as contractors to build segments of the pipeline and other related infrastructure, supply materials, access roads, or provide financial services.

METHODOLOGY

Our report focuses on companies contracted by the TAP and TANAP consortiums to build the two pipelines on the territory of Turkey in the case of TANAP, and Greece and Italy in the case of TAP.

We have chosen to leave aside the known names in the consortiums, like Socar and BP, not because they are uninteresting but because their profiles are better known or at least more easily accessible. We wanted to look beyond the obvious.

We have chosen to focus instead on the companies contracted at the local level in Turkey, Greece and Italy. Promoters of the Southern Gas Corridor boast about the fact that local companies and local labour are used to build the pipeline system, bringing significant benefits to national economies.[26] We wanted to see who those locals are.

Three journalists in each of these countries along the routes of TAP and TANAP looked into the companies contracted by the consortium to build the pipelines in their countries. Each conducted interviews and researched public documents and media articles to check the records of these enterprises.

This paper looks at the main contractors hired directly by the TAP and TANAP consortiums. These companies usually received contracts for 'engineering, procurement and construction' (EPC), which means contractors have the right to subcontract various parts to smaller, local sub-contractors.

This is not an exhaustive study. Researching all the contracted companies would be an enormous task that is beyond the scope of this paper. But researching the sub-contractors and their connections to the main contractors is likely to bring further interesting results, and we can only encourage others along the route of the pipeline to look into this.The results of our research were startling. We found that some of the companies selected to build TAP and TANAP have a history of corruption, proven by official investigations and resulting in convictions.

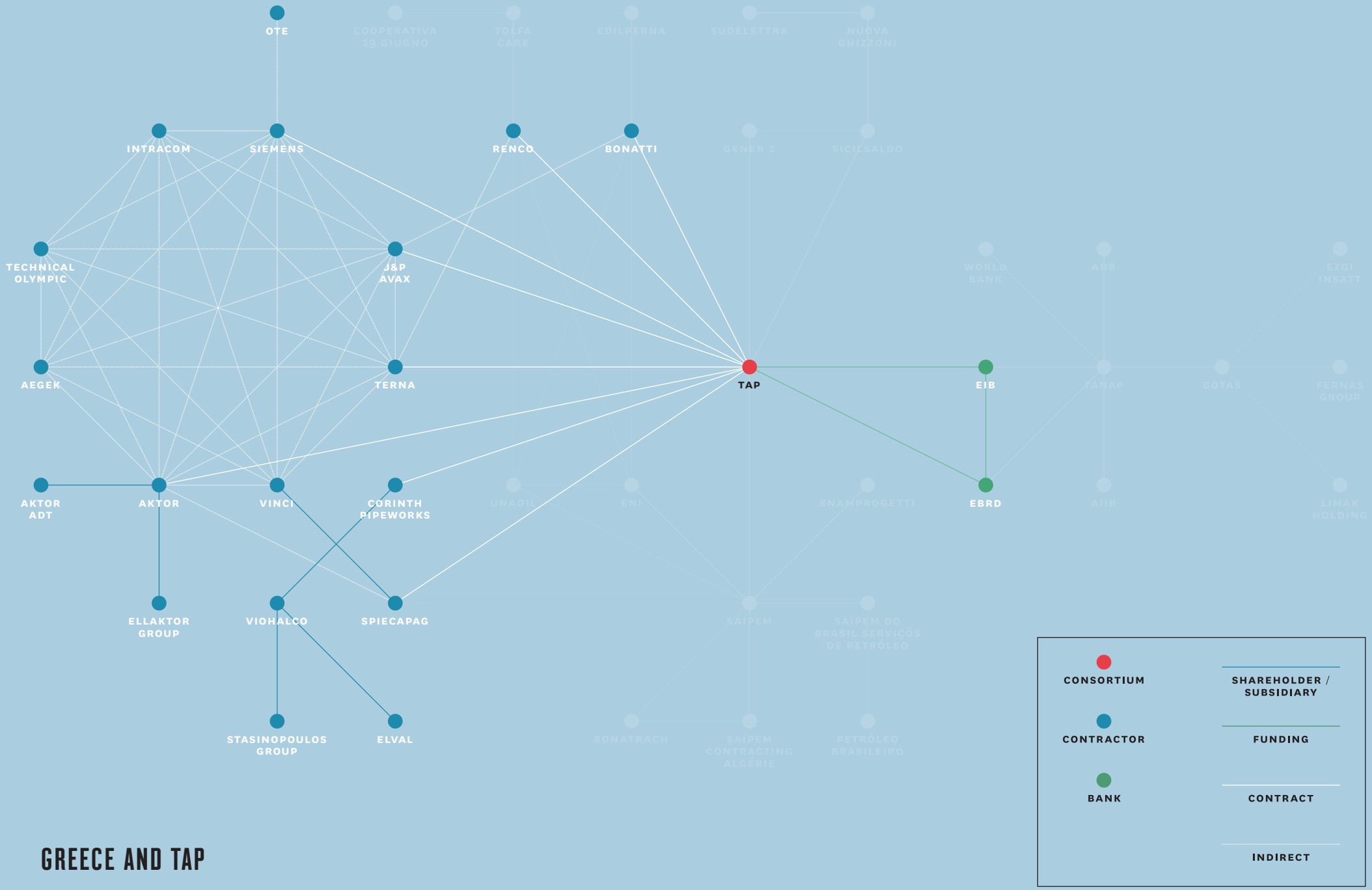
In Greece, a state committee in charge of competition accused several of the companies hired to build the pipeline of being members of a cartel operating in the construction sector for decades, allegedly taking turns in winning public bids, potentially inflating prices and passing on the costs to the public. In response to the accusations, the European Commission this year threatened to suspend its funds for Greece pending further investigation into the activities of the cartel. One CEO of a Greek company contracted for the project is the subject of a European Arrest Warrant for corruption and recently paid €1.8 million to Greece in order to escape jail time for tax evasion and money laundering. He remains on the Lagarde list, a notorious compilation of 2,000 Greeks with deposits in Switzerland, including many tax evaders.

In Italy, three of the companies hired to build the pipeline have had connections to mafia groups in the past, according to investigations by Italian prosecutors. Another company has been repeatedly convicted for corruption by courts in Italy and abroad and is under investigation for corruption in several other countries.

In Turkey, the main company responsible for the Turkish section of the pipeline, the state-owned Botas, has been over time linked to major corruption scandals. The owner of one of the private companies contracted to build a section of the pipeline and the chairman of the board of another were convicted for corruption (at times in connection with the same scandals involving Botas). Most of the convictions have been reversed by the Turkish Supreme Court, though some of the evidence remains in the public record.

II

GREECE AND TAP



GREECE AND TAP

On 4 March 2016 the TAP consortium awarded two contracts[27] for the construction of approximately 760km of a cross-country, onshore pipeline in Greece and Albania. A joint venture of Bonatti S.p.A (Italy) and J&P Avax S. A. (Greece) won the contract for building two sections of the pipeline in northern Greece — about 360km of pipe between Kavala and Ieropigi at the Greek and Albanian borders. Spiecapag (France) won a deal for another 185km in Greece, between Kipoi (at the Greek-Turkish border) and Kavala, as well as two 215km long sections in Albania. Spiecapag will also carry out the pipeline river crossing at the Greek-Turkish border, where TAP will be connected to TANAP.

On 4 May 2016 TAP awarded[28] another contract to a joint venture of Renco S.p.A (Italy) and Terna S.A. (Greece) for building the project's compressors, which refers to one compressor station at Kipoi in Greece, a compressor station at Fier, in Albania, and a metering station at Billisht in Albania.

During the second half of 2015 TAP awarded three basic contracts for the supply of crucial mechanical parts of the pipeline as well as the pipes themselves. These include:

- **1 July 2015**: TAP awarded RMA Pipeline Equipment (Germany) a contract for the supply of large diameter ball valves and actuators, crucial elements of the pipeline that will be installed by all constructors.[29]

- **2 September 2015**: TAP awarded a contract for the supply of six gas turbine turbo compressor units to Siemens AG (Germany).

Half of these items will be installed in TAP's compressor station near Kipoi, and the remaining half at TAP's compressor station near Fier.[30]

- **20 November 2015**: TAP awarded a contract to Corinth Pipeworks S. A. (Greece) who will provide approximately 495km of 48 inch diameter line pipes for the Greek section of TAP.[31]

In addition, there are important details regarding the ownership structure of some of the companies that won TAP contacts that are essential for clarifying the interests involved in the construction of the pipeline.

VINCI-SPIECAPAG-ELLAKTOR-AKTOR

According to its website, Spiecapag[32] is a fully-owned subsidiary of Entrepose,[33] which in turn belongs to Vinci France,[34] a major global player in construction and infrastructure.

Spiecapag will build its section of the pipeline together with Aktor,[35] a member of the Ellaktor Group,[36] a Greek global construction giant active in 22 countries. Ellaktor is partly owned by the Greek oligarch family Bobolas, which is very active in various aspects of Greek economic and political life (more on the Bobolas family below).[37]

CORINTH PIPEWORKS — VIOHALCO

Corinth Pipeworks,[38] the company that won the contract for the supply of pipelines to be installed in Greece, is a global supplier of high quality steel pipes for the energy and construction markets. According to its website, Corinth is a subsidiary of Viohalco. Viohalco S. A. is a Belgium-based holding company of leading metal processing companies across Europe, which is mostly controlled by the Greek family Stasinopoulos.[39]

THE PUBLIC TENDERS CONSTRUCTION CARTEL

In June 2016 the Greek website Inside Story broke a major scoop about the existence of a cartel that dominated the Greek construction sector for almost three decades.[40]

According to a series of reports by Inside Story, on 17 May 2015 the Greek Competition Committee (an independent public body monitoring business conduct) issued a draft report [41] in which it described how major construction companies in the country allegedly organised themselves into a cartel in order to manipulate public tenders. According to the Committee's draft report (which Inside Story had exclusive access to and on which it reported in detail), a number of companies including Aktor, J&P Avax, GEK Terna, AEGEK, Technical Olympic and Intracom participated in the cartel over various periods of time. According to the Competition Committee, the cartel functioned for more than a quarter of a century, from 1989 to 2015.

Three of these companies — Ellaktor, J&P Avax and GEK Terna, are among those responsible for building TAP in Greece.

According to the same draft report of the Competition Committee, Vinci and Siemens (Vinci subsidiary Spiecapag and Siemens also got deals for TAP) also occasionally participated in manipulated tenders as part of the cartel. Inside Story reported that important findings became available after Technical Olympic, one of the constructors, cooperated with the Greek authorities, providing information about how the cartel functioned in exchange for privileged treatment.[42]

At the date our own (Bankwatch) study is going to print, the plenary of the Competition Committee is discussing the draft report, including holding hearings with heads of companies accused of being members of the cartel. On 18 September national paper Kathimerini reported that companies may be offered settlements in exchange for fines.[43]

The director of the European Commission's DG for Regional Development took notice of the draft report and, according to a document leaked to European media,[44] warned in June of his intention to suspend further funding to Greece given that many of the projects that would have been targeted by the cartel had used EU structural funds. Funding to Greece for 2014 – 2020 would be suspended, wrote the director in the leaked letter, printed in full by New Europe, "unless there is assurance on the legality and regularity of the certified expenditure".

According to the Committee draft report, as reported by Inside Story, most of the major companies in the Greek construction sector allegedly participated

in the cartel, which appears not to have been centrally-managed. The usual practice appeared to be that one of the companies would offer the best price in a tender with the agreement of the others, who would then refrain from bidding or would knowingly offer a worse price. In exchange for being allowed to win the tender, the winning company would offer guaranteed kickbacks to the others through a variety of financial and economic instruments.

Some of the major construction projects allegedly affected by this practice, according to the Committee's draft report, are the Athens metro, the Thessaloniki-Alexandroupolis road Egnatia Avenue, projects of the national railway company and the construction of a network of highways on the Greek mainland.

In early 2001, Greece issued five tenders for the construction of major highways in the country. The Committee's draft report wrote that the tenders for these projects "have been manipulated and distributed among the participating construction companies". According to Inside Story, the Committee is in possession of evidence about the coordination between companies on how the cartel submitted offers. The head of the cartel would guarantee to someone withdrawing from a tender participation in another of the five projects. Cartel members would have been guaranteed certain market shares. According to the Competition Committee report, Vinci, Terna, Avax and Aktor were partners in some of the consortiums at the time.

According to statistics in the Committee report, in 2004, Aktor ATE, Terna ATE and J&P Avax together had a market share of 60.6% in the Greek construction sector (Aktor 30.8%, Terna 14.8% and Avax 15%). By 2011, that total had increased to 81%.

OECD REPORT ON GREEK COMPANIES CORRUPTING FOREIGN PUBLIC OFFICIALS

In March 2015 the OECD, the group of rich nations, produced a report on the implemention in Greece of its anti-bribery convention.[45]

The report included various ongoing cases of bribery abroad involving Aktor and Ellaktor. The report does not name the companies, but it describes the cases in such detail that investigative journalists later (including BIRN, see below) pieced together from public information the companies described in the OECD report as Aktor and Ellaktor.

Macedonia highway

The OECD report writes, "A Greek construction company allegedly offered a bribe to FYROM officials to obtain a €270 million contract for constructing a highway in that country. The actual construction began in September 2012. The Greek company won the contract even though its offer was significantly higher (by €40 million) than those of its competitors. The subsidiary of the Greek company in FYROM and Greek individuals are implicated. A preliminary investigation is ongoing in Greece for foreign bribery and money laundering. Greece requested MLA (mutual legal assistance, a method of international legal cooperation) from FYROM in June 2014. While waiting for the response to the MLA request, the Greek authorities contacted their counterparts in Eurojust to facilitate the request".[46]

According to the Balkan Investigative Reporters Network (BIRN) the highway at the focus of the probe is a 28km stretch from Demir Kapija to Smokvica in Macedonia, part of the pan-European corridor 10.

The construction of the road began in September 2012 after Aktor won the contract.[47] This is a project that was co-financed by both the EIB and the EBRD as well as from the EU's Instrument for Pre-Accession Assistance.

As reported by BIRN, the case came to light in March 2014 when Macedonia's opposition Social Democrats alleged that at least €3.5 million from the sum paid by Macedonia for the construction of the highway had gone missing through questionable cash withdrawals. "The opposition presented what it claimed were bank documents showing several cash withdrawals of significant sums from the bank account of the Skopje branch of AKTOR AD Greece," BIRN said in its report. "The cash withdrawals, the opposition claimed, were made by several Greek citizens from a Macedonian bank in Negotino, near the border with Greece, last May, June and July".[48]

Cyprus waste management plant

Another case documented by the same OECD report of paying bribes to foreign officials occurred in Cyprus at the Paphos waste management facility. The OECD report says that several Greek nationals allegedly paid bribes in 2007 to Cypriot public officials in connection with the construction of a €78 million waste treatment station (according to the report, by the time of its publication in March 2015, two Cypriot officials had pleaded guilty for bribery and other crimes, and Greece had opened an investigation into its own citizens for bribery).[49] In 2016, a year after the OECD report, the waste scandal broke in full.

On 28 March 2016, the general prosecutor of Cyprus issued a European arrest warrant for the CEO of Ellaktor, Leonidas Bobolas, in relation to alleged

bribes and the overpricing of services in the Paphos landfill case. Cypriot authorities claimed that Bobolas was aware of the bribes and knew about the project being over-invoiced (Ellaktor allegedly reported higher waste volumes thus resulting in higher charges to local authorities and consumers).[50]

The March arrest warrant for Bobolas was soon after cancelled because of new evidence emerging. A second European arrest warrant was issued for Bobolas by the Cypriot prosecutor on 4 May 2016,[51] the same day that TAP awarded the contract to Spiecapag, with the full knowledge that the French company would execute the contract in cooperation with Ellaktor's Aktor (this had been announced by Spiecapag in early 2015 at a TAP Greece supplier networking event).[52]

The scandal — which has been a major affair in Cyprus — has resulted in more revelations, including allegations of a donation to a party previously in government (AKEL) by a company that then set the tender conditions in a way suitable to Ellaktor.[53] Arrest warrants, inquiries and arrests of various employees of Ellaktor in Cyprus as well as Cypriot officials followed the breaking of the scandal.[54]

BOBOLAS TAX EVASION

In 2015, Ellaktor CEO Leonidas Bobolas paid €1.8 million in overdue taxes to the Greek state in order to be released from arrest for charges of tax evasion and money laundering.[55] Bobolas had been included on the Lagarde list,[56] a notorious compilation of 2,000 Greeks with deposits in Switzerland, including many tax evaders.

ELVAL (VIOHALCO) SUSPECTED OF HEXAVALENT CHROMIUM POLLUTION

In September 2013, Viohalco, the parent company of Corinth Pipeworks, announced its departure from Greece to headquarter and list in Belgium, citing a better economic environment after five years of crisis and net losses.

The company belonging to the Stasinopoulos Group might have left but, as Nikolas Leontopoulos — a prominent investigative journalist based in Athens — wrote a few days after the announcement of the move, Stasinopoulos companies left behind them one of the biggest environmental scandals in the history of Greece.[57]

Nickel and hexavalent chromium pollution of the Asopos river in the Oinofyta region between Athens and Thiva has been documented since as early as 1968. For decades the source of pollution was unknown. In 2013, the Greek newspapers 'Editors' paper'[58] and 'Ta NEA'[59] referred for the first time to a study from the Public Institute of Geology and Mineral Exploration (IGME)[60] that confirmed that the pollution was man-made and identified Elval as the culprit. Elval is a significant international player in the aluminum rolled products market and a subsidiary of Viohalco. The report also studied the cases of Symetal and Halcor, two companies belonging to the same group with activity in the region.

In November 2013, a court in Thiva initiated criminal proceedings against 15 companies for disposing of industrial waste in the Asopos river. The case was based on evidence collected in 2007 by environmental investigators of chromium disposed by companies active around Asopos. Elval was one of the

defendants in the case, accused of "receiving and disposing into Asopos the industrial waste of neighbouring company Halcor", active in the region too and also a member company of the Stasinopoulos Group.[61]

At the same time, Leontopoulos reported[62] on a 2013 study by the Greek Polytechnic University of a specific area of the Asopos where three companies, including Elval, are situated. "Possible sources of man-made pollution that provokes the devaluation of the quality of subterranean water are either buried solid waste charged with high levels of hexavalent chromium or leakages that reach to water aquifers through underground passages," wrote the study.[63] Leontopoulos reported that the study's authors believed that leakages were unlikely and that the first scenario of buried solid waste was the most plausible. An unnamed researcher involved in the study said, as quoted by Leontopoulos, that the activities of two of the three companies situated in the area of study could not have provoked this kind of pollution, leaving Elval as one of the main suspects.[64]

THE BLACK CASH OF SIEMENS

In November 2006, police and prosecutors raided Siemens headquarters in Munich following a long-term investigation by the German authorities into the alleged practice of Siemens bribing foreign officials.[65] In Greece, the scandal around Siemens paying off state officials came to be known as the 'black cash of Siemens' or the 'Siemens bribery scandals'.

German and Greek investigators described how Siemens' Greek department had devised a system of paying kickbacks to officials and politicians in

Greece in order to receive privileged access to lucrative deals. The money for these kickbacks was alleged to have been provided directly by Siemens Germany.[66]

Though this illicit conduct was ongoing for years, two instances are of particular notoriety: the purchase of telecommunications equipment in the 1990s by the then Greek telecommunications provider OTE and the procurement of a security surveillance system (the C4I system) by the Greek state before the 2004 Olympic Games.

According to the German magazine *Der Spiegel*, which quotes findings of German investigators, to secure the €500 million contract with OTE, Siemens allegedly paid €35 million in kickbacks in the late 1990s.[67] During the investigation by German police, Siemens executives involved in the payoffs revealed that up to 2% of the revenues from the Siemens Hellas telecommunications division were paid every year to the then two main political parties PASOK and the conservative New Democracy.[68]

Tasos Mantelis, who in 1998 was the Minister for Transport and Communications during the the Pan-Hellenic Socialist Movement (PASOK) administration, admitted in May 2010 to a Greek parliamentary investigation committee that a sum of 200,000 German marks was deposited by Siemens into a Swiss bank in 1998, allegedly to fund his election campaign. A further deposit of 250,000 marks was made into the same bank account in 2000, but Mantelis claimed it was from an unknown source. Mantelis was later convicted for false income declaration at the time of the mentioned payments and offered to pay back the whole amount to the Greek state.[69]

Michalis Christoforakos, head of Siemens Hellas during the period when bribes were paid and allegedly a key figure in organising the kickback scheme, was tried in 2009 in Germany for the payment of bribes to political parties. He admitted misconduct and eventually settled with German prosecutors, paying a fine and providing information.[70] German authorities never extradited him to Greece where he would have also faced trial, despite requests by Greek authorities.[71]

After two years of investigations, a trial started in Greece in 2015 after a Greek prosecutor filed criminal charges for money laundering and bribery in relation with the OTE case against 64 defendants, 19 of them Siemens executives.[72]

This case is still a major source of political controversy in Greece, given that the judicial process has seen immense delays, and has recently been postponed indefinitely again because of the court failing to provide official translations of basic documents to foreign civilians involved in the case. The delay could jeopardise the case because Greek law requires bribery cases to be finalised within up to 15 – 25 years (depending on circumstances) of the time of the crime.[73] A second case, against Mantelis, has also been postponed until November 2016.

In August 2012, Siemens settled extra-judicially with the Greek state and paid €330 million.[74] The settlement refers strictly to potential penalties against the company as a legal entity. It does not cover various individuals under whom charges are currently pressed in Greece.

Following accusations of international corruption in various locations around the world, including the US, Norway or Nigeria, Siemens settled and paid

penalties of $1.3 billion [US] in 2008.[75] In turn, Siemens executives involved in bribery schemes around the world have paid millions in damages.[76]

GREECE CONCLUSIONS

According to a draft report by a public body responsible for business conduct, whose investigation was completed in 2015, three Greek and two international companies that received deals for TAP were at various points part of a construction cartel that since 1989 is alleged to have schemed to win and divide among themselves major public contracts. The companies are Ellaktor (its subsidiary, Aktor, was subcontracted by the main contractor Spiecapag), J&P Avax and GEK Terna, the French company Vinci whose subsidiary Spiecapag is contracted by TAP, and the German Siemens, who is a TAP supplier in Greece. The cartel's alleged dealings led to the European Commission threatening to suspend structural funds from Greece until the workings of the cartel are clarified and guarantees are made that no European money will be further wasted because of cartel activities.

In 2015, Leonidas Bobolas, the CEO of Ellaktor, the parent company of Aktor, paid €1.8 million to the Greek state to escape jail time for tax evasion and money laundering. His name is on the Lagarde list of Greeks with deposits in Switzerland, which includes numerous tax evaders, whose activities have led to the emptying of Greek state coffers.

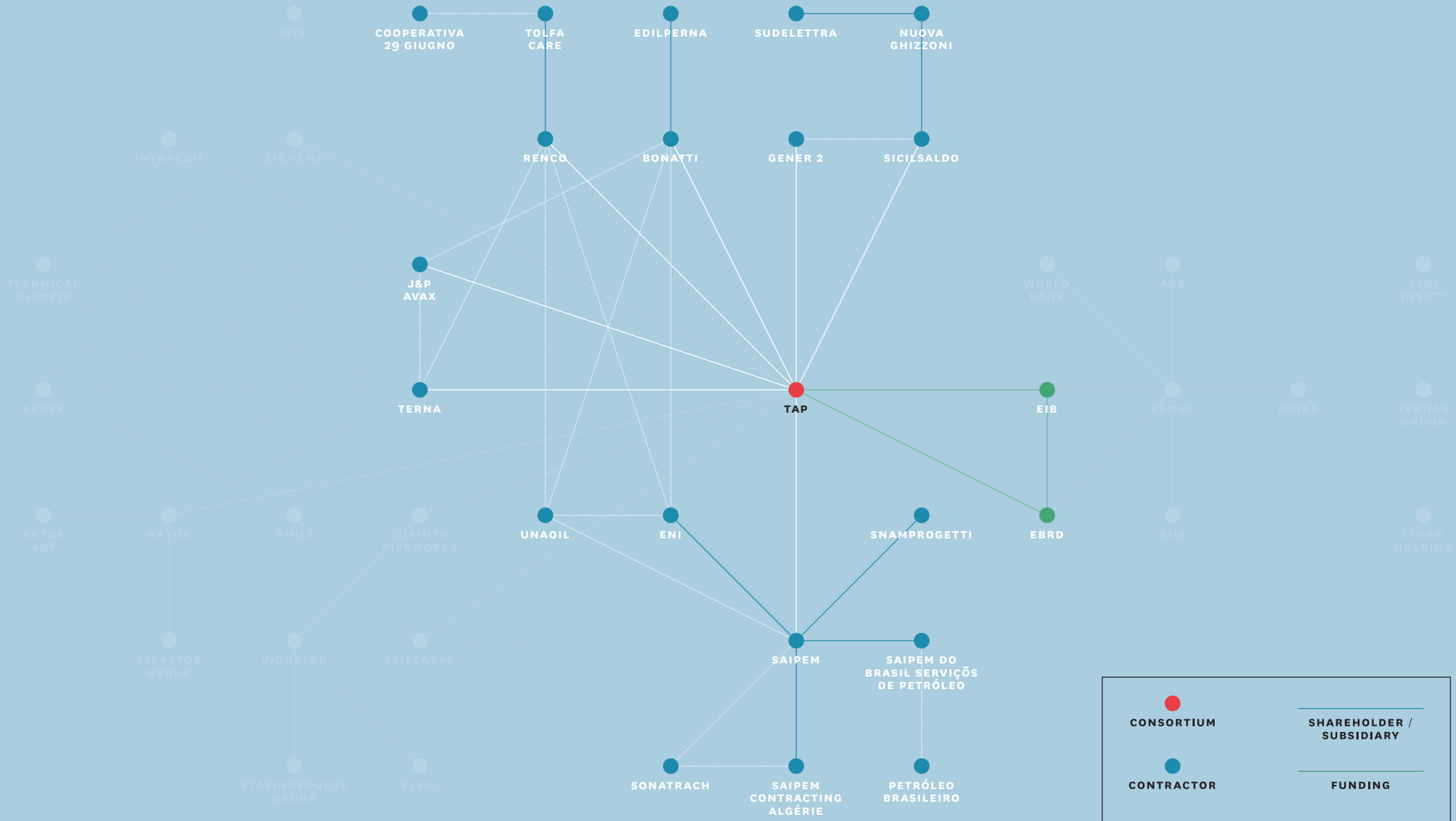
Currently Cypriot prosecutors have issued a European Arrest Warrant for Bobolas, on the same day that the TAP consortium offered a deal to

Spiecapag, which had announced a year earlier that it would work together with Aktor on its section of the pipeline.

Siemens Germany won a contract in 2015 for TAP despite its long history of corruption in Greece and having agreed to pay a third of a billion euros to the state in 2012 to avoid further litigation. The 'black cash of Siemens' has been a regular source of anger for the Greek public against politicians from the two main political parties, PASOK and New Democracy. A case against Siemens officials is still pending in Greek courts.

III

ITALY AND TAP



ITALY AND TAP

Opposition against the routing of TAP is arguably strongest in Italy. Local communities in the Apulia region, where the pipeline should land, worry about the high environmental costs of the project. They argue that the pipeline would destroy the wild natural paradise of San Foca, an area of pristine beaches that is popular with tourists. Thousands of rare olive trees, which provide economic and cultural value for the region, would need to be removed temporarily during construction and then replanted for the project to be implemented as planned. There are further worries about the hydrogeological risks of the underwater section of the pipeline.

The Apulia regional government suggested using alternative routing for the pipeline, for example going via Brindisi, an industrialised region that is also connected to the national gas distribution system already, unlike the Melendugno municipality where the pipeline is expected to land. The mayor of Melendugno argues that the concession for the pipeline construction had already expired by the time construction works started in May 2016 and should be reassessed. Local authorities and communities are battling the TAP consortium in courts around various permitting procedures.

On 14 April 2016, TAP awarded Italian company Saipem, a subsidiary of ENI, the contract for building the offshore section of the pipeline under the Adriatic Sea between the coastlines of Albania and Italy. Saipem will build around 105km of pipeline 820m below sea level at its deepest. Saipem will also be responsible for associated civil works at landfalls in both Albania and Italy, including a micro tunnel, offshore fiber optic cable supply and installation as well as pre-commissioning and survey activities.[77]

On 22 December 2015, Renco was hired by TAP to build the pipeline terminal in Italy, the final element connecting the mega-pipeline to the Italian gas network operated by Snam Rete Gas.[78] Renco also was awarded a contract to build a compressor station in Greece (together with the Greek company Terna) and compressor and measuring stations in Albania.

On 4 March 2016, Bonatti Group spa was awarded the contract for building approximately 760km of cross-country onshore pipeline in Greece, stretching from Kavala and Leropigi at the Albanian border. Bonatti formed a joint venture with the Greek company J&P AVAX S.A. for this deal.[79]

Together with the Albanian company Gener 2, Sicilsaldo won in 2015 a tender for the construction and rehabilitation of access roads and bridges in Albania. The joint venture is in charge of the construction and rehabilitation of over 100km of road along the pipeline route in Albania and for the construction of two new bridges and the rehabilitation of 50 others.[80]

SAIPEM

Saipem[81] is a subsidiary of Eni, the largest oil and gas company in Italy. Saipem is active in 60 countries.

Shareholders:[82]

- Eni spa (30%) — CEO Claudio De Scalzi, nominated by the Italian government. ENI is controlled by the Ministry of Finance and Cassa depositi e prestiti, the Italian development bank.
- Fondo Strategico Italiano spa (12.5%) — a special fund meant to support investments.
- Dodge & Cox (6%).
- People's Bank of China (2%).
- Other investors whose shares are below 2% make up for the rest of the portfolio.

Corruption in Nigeria

In February 2016, for the first time in Italy, an international corruption case reached a final judgment, after an initial conviction of Saipem in 2013[83] and several appeals by the company. In 2013, a Milan court had ordered Saipem to pay a fine of €600,000 and seized a further €24.5 million from the Saipem subsidiary (Snamprogetti) that had

allegedly paid bribes in Nigeria. In 2016, the Italian High Court (a supreme court) confirmed the initial 2013 ruling.[84]

Italian prosecutors showed that a consortium of companies named Tskj — made up of Snamprogetti Netherlands Bv, Kellogg Brown & Root, a Halliburton subsidiary at the time of the bribing, Japanese JGC and French Technip — had paid over $182 million in bribes to Nigerian officials to get four deals for building LNG facilities on Bonny Island in southern Nigeria between 1995 and 2005.[85] Snamprogetti was taken over by Saipem in 2008.

Corruption in Algeria

In 2015, Milan prosecutors accused Saipem and some of its executives of paying bribes to Algerian officials to win contracts totalling €8 billion from the Algerian state company Sonatrach. According to the prosecutors, the bribes amounted to €198 million between 2007 and 2010.[86]

Tullio Orsi, the former director of Saipem Contracting Algerie, reached a plea agreement with prosecutors to pay CHF 1.3 million [Swiss francs] and serve two years and ten months in jail.[87] Other defendants in the corruption case were Pietro Varone, the former executive director of Saipem, Alessandro Bernini, a former financial chief at Eni and Saipem, Pietro Tali, allegedly responsible for collecting the bribes, alongside Algerian officials and businessmen.

Paolo Scaroni, Eni chief at the time of the bribes, will be tried for corruption in a new case against Saipem and Eni (the companies themselves are on trial too, alongside some of their executives, because Italian law makes

companies responsible for the actions of their staff), which is set to start in December 2016.[88]

In 2016, Algerian courts fined the Algerian subsidiary of Saipem for corruption in relation to the Sonatrach case. Algerian citizens involved in the bribe scheme got jail sentences for corruption, money laundering, awarding contracts contrary to the law and hiking the prices of contracts.[89]

Lava Jato case in Brazil

Since 2015, Saipem has been under investigation by Milan prosecutors for corruption regarding a contract signed in 2011 between Brazil's Petrobras and Saipem Sa (France) and Saipem do Brasil (Brazil).[90]

Brazilian prosecutors are also investigating corruption at Petrobras in a massive investigation (called Lava Jato or Car Wash) that includes numerous national and international companies and spans a decade. Among others, the investigation looks at whether a former Petrobras executive accepted bribes in exchange for favoring Italy's Saipem on a contract for an undersea gas pipeline to offshore pre-salt (oil) fields in Santos Basin, Brazil.[91] Brazilian prosecutors suspect that at least $2 billion were siphoned off from Petrobras via illicit activities covered by the Lava Jato investigation. In 2016, the Panama Papers revealed that law firm Mossack Fonseca played a key role in Lava Jato, with 106 offshore companies and 57 people investigated in Java Lato connected to the infamous firm.[92] The scandal took a huge toll on Brazilian political life, with former president Inacio Lula da Silva being suspected of having benefitted from the bribes and former president Dilma Rouseff impeached (at least officially) in part for not preventing the wrong-doing.[93]

Iraqi oil

In 2011, Eni and Saipem, together with Bonatti and Renco and a few other Italian companies, were put under investigation by Milan prosecutors for international corruption related to winning contracts for exploiting resources in Iraq (the Zubair oilfied near Basra, one of the world's biggest), Kuwait (the Jurassic field) and Kazakhstan (the Kashagan oilfield).[94]

Renco, Saipem and five other Italian companies (Tecnimont, Ansaldo Energia, Elettra Progetti, Siirtec and Prysmian) were alleged to have helped Eni bribe foreign officials, according to prosecutors. As subcontractors, they were alleged to have overinvoiced Eni, using the extra money later on to pay bribes.[95]

In 2016, a long-term investigation by the Huffington Post and Fairfax Media showed how the Monaco-based company Unaoil and its chief lobbyist Basil Al Jarah, allegedly fixed deals for some of the world's biggest corporations, including Eni and Saipem, in the Iraqi oil sector by intermediating bribes to well-positioned Iraqi officials. In addition to the Italians, Rolls Royce, Halliburton, Samsung and Hyundai and others are also alleged to have benefitted from the scheme, claims the investigation. The bribes are reported to have been paid during 2002 and 2012, playing an important role in how Iraqi oil wealth was carved up by foreign companies following the invasion of Iraq and fall of Saddam Hussein.[96]

RENCO

Renco (http://renco.it/) has operations all over the world including Armenia, Kazakhstan, Congo, Nigeria, Libya, Angola, Belgium, Switzerland, Colombia and Qatar.

Mafia Capitale

Taped conversations that were used by Italian anti-mafia prosecutors in Rome as evidence during their investigation into an organised crime network in the Italian capital indicated that the current CEO of Renco, Giovanni Rubini, had cooperated with a cooperative affiliated to the mafia. The investigation — named Mafia Capitale — led to the first arrests at the end of 2014 and is the biggest Italian investigation to date into connections between organised crime and politics.[97]

According to the evidence revealed during Mafia Capitale, in the early 2000s, Rubini worked as a special consultant for the Urbino municipality, with a role in reorganising the region's welfare system. Rome prosecutors argued that in this capacity, he had been corrupted by local entrepreneurs, including by the owner of mafia-related *Cooperativa 29 giugno*.

Among the local entrepreneurs close to Rubini mentioned by the Rome investigators was Salvatore Buzzi, a businessman that owned a consortium of cooperatives involved in social work called the *Cooperativa 29 giugno* (Buzzi was jailed for mafia activities).[98] According to the prosecutors, this cooperative was used to launder money for the benefit of a crime syndicate controlled by Massimo Carminati, nicknamed "the last king of Rome" and

a former far-right activist turned mafia clan leader. As a result of Mafia Capitale, in 2014, Carminati was charged with fraud, money laundering, embezzlement and bribing of public officials.[99]

Tolfa Care

Tolfa Care is a social services company owned by Renco, for whom Giovanni Rubini also serves as CEO. Tolfa Care had close business links to *Cooperativa 29 giugno*, as admitted by Rubini himself in public statements. *Cooperativa 29 giugno* was among the providers of the company.[100]

Zanzibar

Renco built a luxury resort on Nungwi island, a fishermen's village in Zanzibar. According to Milan prosecutors, in 2007, Davide Ripesi, former financial director of Renco, paid €151 000 in bribes to Amani Abeid Karume, the son of Zanzibar's president, in order extend the resort Diamonds — The pearl of East Beach Resort. Ripesi was convicted of corruption and following a plea deal with prosecutors, was sentenced in 2016 to one year and four months in prison.[101] Ripesi, according to foundation's website, is still the treasurer / secretary of the Rinaldo Gasparini Foundation, which "aims to make a change in the lives of rural communities" in Zanzibar.[102]

BONATTI

Bonatti[103] is one of the major energy companies in Italy, with extensive operations in North Africa, mainly Libya, where it works in collaboration with Eni. The chairman and CEO of the Bonatti Group is Paolo Ghirelli.

The Bonatti group is currently made up of 14 companies around the world, with most of its activity concentrated abroad. Bonatti is known for operating in dangerous locations: in March 2016 two Bonatti employees were killed after being kidnapped by a militia group in Libya.[104]

In 2010, a Bonatti subsidiary (Edilperna srl, based in Sicily) which had been contracted to build a hospital in Verona was issued with an "interdittiva antimafia"[105] by the Italian police, which means that the public contract with the company was suspended because of its connection to mafia clans.[106]

In 2010, as part of an investigation by Palermo prosecutors, mafia "pentiti" (individuals formerly affiliated with the mafia) gave testimony in which they named Bonatti as one of the companies that they alleged had taken part in a mafia pact regarding construction of new buildings in Palermo in the 1990s.[107] According to that testimony, the companies illegally split the construction deals among themselves and ensured that some of the contract money was paid as a mafia tax.

Since 2011, the company has been investigated in connection to the Iraqi oil scandal together with Eni, Saipem and other Italian oil and gas majors (see the section on Saipem above). The trial is ongoing for Bonatti and others.

In 2015 two CEOs of other Bonatti subsidiaries in Sicily were sentenced to jail for extortion and their association with mafia clans.[108]

SICILSALDO

The current president of Sicilsaldo[109] is Emilio Brunetti,[110] son of Angelo Brunetti, who until 2008 ran the company since its founding in 1994 in Sicily.

Italian police describe Angelo Brunetti as "completely subjugated to Cosa Nostra Catania".[111] According to local media, Brunetti was never part of Cosa Nostra clans, but he has always paid 'pizzo,' the mafia tax. Angelo Brunetti could be considered an entrepreneur who has accepted the mafia's presence and chose to pay the mafia tax for security reasons ("I paid in order not to have problems" are the exact words of Brunetti from a testimony he gave in 2013 to Italian investigators).[112]

In 2007, Direzione investigativa antimafia (the anti-mafia investigations unit) of Caltanissetta investigated Brunetti's Sicilsaldo for the 'illicit concession of subcontracts' which benefitted the mafia. The case was archived in 2011.[113]

In 2013, Brunetti admitted during testimony to investigators to working together with Franco Costanzo, a businessman linked to the Bonaventura mafia clan in Catania[114] to win the contract to build an aqueduct in Palagonia.

Nuova Ghizzoni

In October 2013, Sicilsado and Sudelettra formed a new company called Nuova Ghizzoni spa. Today, Emilio Bonatti is in charge of Nuova Ghizzoni. Sudelettra is headed by Lorenzo Marsilio, who has been involved in several corruption cases linked to the mafia. These are as follows.

- **Operation 'new bridge'**: Led by the FBI and its Italian counterpart in December 2014, 26 people were arrested, including Francesco Palmeri (alias Ciccio O'Americano) who was thought to be a main figure in the US-based mafia family Gambino.[115] According to the investigation, he tried to extort €1 million from Sudelettra.[116] The investigation also revealed that Lorenzo Marsilio already had links to individuals in Cosa Nostra as early as the 1980s, when he saved his business by using money provided by US-based mafiosi.[117]

- **Petrolio connection investigation**: A larger investigation concluded by prosecutors in Potenza in April 2016 found that Lorenzo Marsilio played a role in bribing two mayors of the town Corleto Perticara so that Total, the energy major, could win a license for oil field Tempa Rossa. As a penalty, Marsilio was not allowed to engage in business activities for six months.[118]

SPIECAPAG

SPIECAPAG[119] (France) was awarded with contracts for building a 185km lot of the pipeline in Greece, between Kipoi and Kavala, as well as two lots in Albania (215km in total), stretching from Bilisht to Topoje. SPIECAPAG will also carry out the pipeline river crossing at the Greek-Turkish border, where TAP will be connecting to the Trans Anatolian Pipeline (TANAP).

According to Algerian media, which reported on court proceedings, Spiecapag was allegedly involved in the Sonatrach scandal Saipem was involved in Algeria (see Italy section). Findings of the Algerian investigation submitted in the Alger court indicate that Spiecapag colluded with Saipem to get the Galsi onshore pipeline deal from Sonatrach. According to the information submitted by prosecutors to court, Spiecapag allowed Saipem to get the deal despite its proposed price being higher than the market one (Spiecapag submitted an even higher bid) while also being subcontracted by Saipem to work on that same contract.[120]

In 2014, Spiecapag completed the construction of 450km of pipelines over a distance of 300km in Papua New Guinea for ExxonMobil, a project meant to supply China and Japan with liquefied gas for three decades.[121] The project was marred with controversy, from complaints of expropriations without proper compensation, to militarisation along the pipeline (the death of an employee of Spiecapag by special police units financed by ExxonMobil was never independently investigated according to a Pulitzer Center investigation)[122] and protests turning violent by exasperated locals who saw more losses than gains.

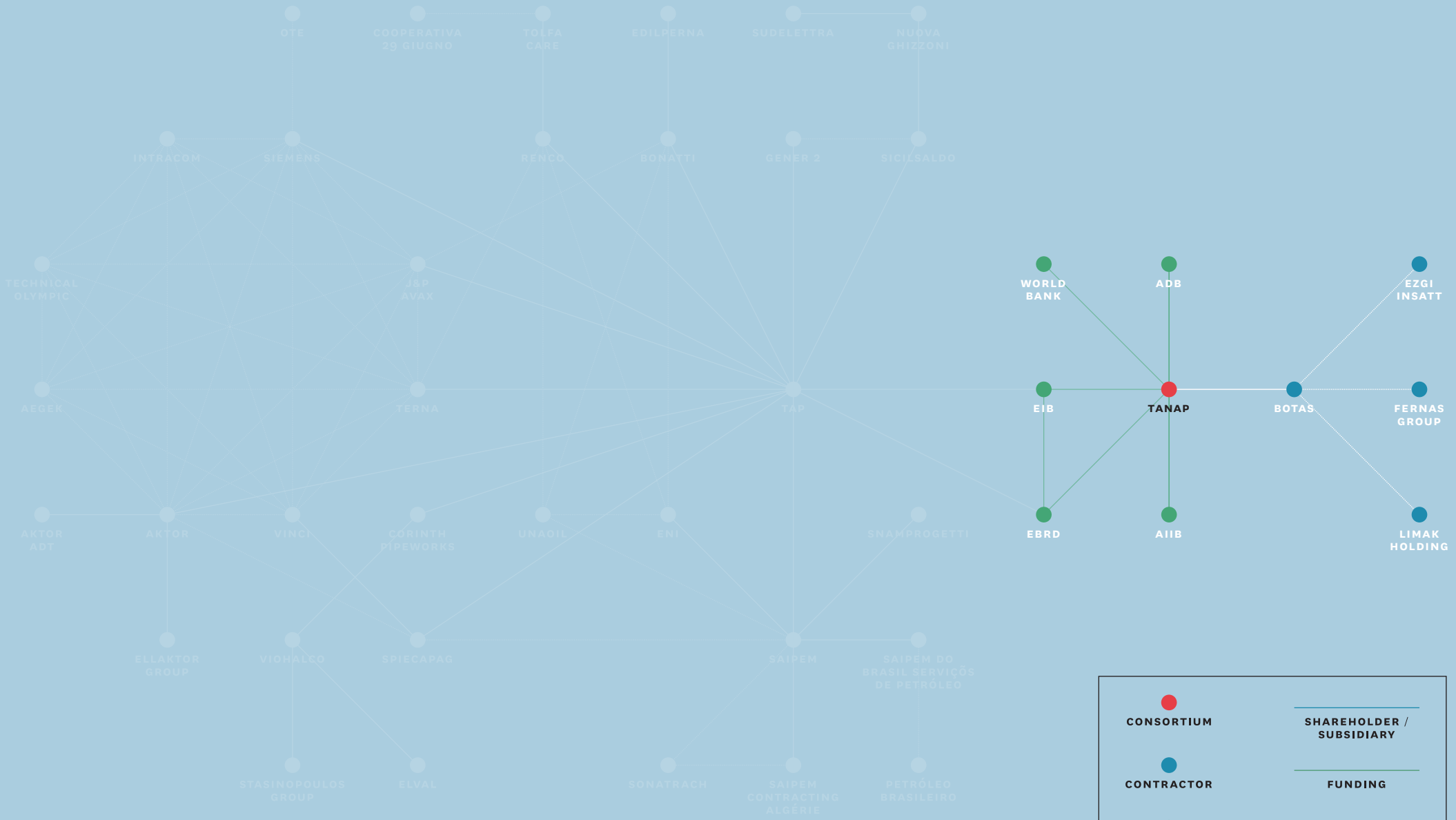
ITALY CONCLUSIONS

Three of the companies awarded with TAP contracts in Italy (Sicilsado, Bonatti and Renco) have had links to the Italian mafia. In the case of Sicilsado, prosecutors claimed that the company's former CEO was subservient to Cosa Nostra. Bonatti subsidiaries were excluded from public contracts for their mafia links, while two other CEOs of Bonatti subsidiaries in Sicily were jailed for their association with the mafia. The CEO of Renco is also chief executive of a company that is part of a cooperative empire controlled by Italian mafia.

Saipem, the ENI subsidiary hired by TAP, has undergone several trials for corruption. Its Algerian subsidiary was fined for corruption, and Italian courts convicted Saipem of corruption in Nigeria. Other corruption investigations concerning Saipem are ongoing, including those involving major contracts in Brazil and Iraq.

IV

TURKEY AND TANAP



TURKEY AND TANAP

TANAP is the longest section of the Southern Gas Corridor. Starting at the Georgian border, the pipeline will transport natural gas originating from the Shah Deniz 2 field to Europe after passing through 20 cities in Turkey. It is planned to start pumping an annual 6bcm of gas to Turkey from 2018 and supply Europe with 10 bcm of gas annually from 2020. The 1,850km pipeline is expected to cost around $10 billion.[123]

The main constructor of TANAP is state-owned Botas,[124] which then hired four other companies to build various segments of the pipeline: Limak, Yuksel, Tekfen and Fernas.

Limak Holding won the tender to construct the 459km stretch of the pipeline between Eskisehir in northwestern Turkey and Erdine at the Greek border.[125]

Fernas will build TANAP's 375km section from the Georgian border city Ardahan to Erzurum. Yuksel will build 450km between Erzurum and Sivas, and Tekfen will build 500km between Sivas and Eskisehir.[126]

BOTAS

The main constructor of TANAP is Botas (the Petroleum Pipeline Corporation), the Turkish state-owned crude oil, natural gas pipelines and trading company. Established in 1973 for the purpose of transporting Iraqi crude oil to Iskenderun Bay, Botas belongs to the Turkish Undersecretariat of the Treasury and is an institution related to the Ministry of Energy and Natural Resources.

The Ministry of Energy has effective control of all energy investments in the country. With its TEL 37.1 billion [Turkish liras] (€11 billion) net revenue, Botas ranked number one in Turkey's Fortune 500 companies in June 2016.[127] Botas owns 30% of the shares in TANAP and is meant to finance the project accordingly.[128]

Operation White Energy

'Operation White Energy' began in early 2001 as an investigation by the general commander of the Turkish gendarmerie about corruption and bribes paid in the case of several Turkish electricity projects.[129] According to the book "The Alliance of Dirty Hands" written by the head of Operation White Energy Aziz Ergen,[130] the investigation into 15 individuals began after a tape was detected by the Department of Anti-smuggling and Organized Crime in the Gendarmerie. The recording contained information about a bribe for the Kayseri Yamula hydroelectric plant paid by high-ranking employees of Demir Energy (the company that eventually won the deal to build the plant) to Birsel Sönmez, the former Minister of State and a member of the board at the Turkish Electricity Production Corporation (TEAS), the state company in charge of Yamula.

According to the prosecutor in the case, Hakan Kızılarslan, bureaucrats from TEAS and the Ministry of Energy established two separate illegal gangs to manage the corrupted deals, with support from businessmen at various companies. The report by Kızılarslan stated that at least seven tenders (including Yamula) were corrupted.[131] The trial lasted until 2012 during which time the judgement was reversed four times.[132]

Former Energy Minister Cumhur Ersümer, who resigned in 2001, three months after the scandal went public, was sentenced initially to one year and eight months in prison but his sentence was later suspended because of a provision in the Turkish constitution that lasted until 1999 which said that people who committed the type of corruption crime he did could be released conditionally from prison. Former Minister of State Birsel Sönmez was sentenced to three years and four months in 2009.

Apart of these two former ministers, other officials and businessmen active in the energy sector were sentenced for tender-rigging and their involvement with criminal organisations and received jail sentences, among them high-ranking people in companies that later won deals for TANAP (including the owner of Fernas, one of the private companies set to build a section of the pipeline). In 2013, the Ankara Court of Appeals dropped the charges invoking an article in Turkey's penal code which allows for prison sentences of up to five years to be cleared after a decade since the crime was committed.[133]

Below are some of the key people initially convicted:

- İbrahim Selçuk initially received one year and five months in jail as the mediator of the scandal. He also played the same role in Operation Blue Line detailed below.

- Muzaffer Nasıroğlu is the cousin of a former Justice and Development (the AK party of Turkish President Erdogan) parliamentarian Nezir Nasıroğlu. He is the owner of the Fernas Group, that will build TANAP's 375km section from the Georgian border city Ardahan to Erzurum. He was also convicted in Operation Blue Line.

- Yaşar Giregiz, the general manager of Fernas Construction Company.

- Fuat Celepci served in Botas as the deputy general manager and a board member between 1999 and 2005. Now he is the general manager of Zorlu natural gas.

Operation Blue Line

'Operation Blue Line' is an investigation that started in 2007 into corruption allegations at Botas. Prosecutors investigated defendants for illegal activities including ganging up to commit crime, rigging various tenders, bribing, and money laundering.

In 2006 the Turkish public learned about Operation Blue Line after the suicide of Metin Özbalcı, the chief inspector of Botas.[134]

Özbalcı shot himself with his registered gun in his office at Botas headquarters. According to main Turkish daily Hurriyet, before his suicide, Özbalcı had prepared a report about corruption within the company. The report, which was submitted to the Ministry of Energy, wrote that Botas was selling gas to specific companies below the actual market price. This practice was estimated to cost Botas more than TEL 264 million [Turkish liras] (€80 million) in total. According to Özbalcı's report, Botas paid 160 employees' retirement allowances three times higher than normal, with those people reassigned in Botas even though they retired.[135]

In May 2008, the trial started for 77 defendants that include former Botas deputy general manager Rıza Çiftçi, former deputy secretary in the Ministry of Energy and Natural Resources Bekir Aksoy, and the current chairman of Limak Holding (and former executive director of Fenerbahçe Sports Club) Nihat Özdemir.[136]

The key name in Operation Blue Line is Ibrahim Selçuk. Known for his involvement in Operation White Energy, Selçuk was a high-level intermediary in corrupted deals that involved Turkish officials and Botas employees.

According to Turkish media reports, Selçuk' s strong connections with politicians dated back from the early 1990s.[137] In 1994, he became the right-wing Motherland party's deputy head for Ankara. In 2001, he set up his own construction company Ezgi İnşaat. He is also known for his relationship with Kaşif Kozinoğlu, a senior Turkish intelligence official in the National Intelligence Organization (MIT), who died in 2011, and to Alaattin Çakıcı who is currently in prison after being convicted of murder and organised crime.

During the 2008 the Operation Blue Line trial, police recordings of defendants' phone calls were brought as evidence, indicating that companies willing to win bids bribed Botas bureaucrats, hosting them in luxurious hotels or arranging sex workers for them.

On 9 February 2008, the Habertürk newspaper published a transcript of one of İbrahim Selçuk's phone calls during which he was trying to arrange a Russian revue show for the former Botas deputy general manager Rıza Çiftçi. Selçuk called an individual by the name of Ercüment Badoğlu asking him for a favour. "We are from the AK Party. We cannot go to that kind of place," Selçuk said. "You are a leftist. Can you host him tonight?"[138]

Initially, the court ruling over Operation Blue Line started in 2008 and handed out sentences of a total 52 years and six months in prison for all the defendants in the case. But in March 2016, the Turkish supreme court reversed the judgement, arguing that the decision of the lower court was based on insufficient investigation and improper questioning of the witnesses.[139]

The projects that were subject to criminal charges during the Operation Blue Line trial are:

- Rigging the bid on the Lake Tuz water channels.
- Rigging the bid on the compressor project in Çorum.
- Rigging the bid on a natural gas pipeline project between Izmir and Nazilli.
- Bribery in the underwater natural gas pipeline project between Greece and Turkey.
- Bribery in the Çan Thermal Plant project in Çanakkale.
- Bribery at the General Directorate of State Hydraulic Works by Limak Holding in relation to a tender for the Lake Tuz water channels.
- Rigging the bid on the Bozüyük Loop Line.
- Bribery in the Gördes Dam Project by Koçoğlu Construction.

The Supreme Court acquitted the defendants of charges, including Limak Holding's Chairman Nihat Özdemir and the former deputy secretary of the Ministry of Energy and Natural Resources Bekir Aksoy.

LIMAK HOLDING

Limak Holding[140] won the tender to construct the 459km section of the pipeline between Eskisehir in northwestern Turkey and Erdine at the Greek border. The route will pass through Bilecik, Kutahya, Bursa, Balıkesir, Çanakkale, Tekirdağ. Limak will partner with the Indian company Punj Lloyd to build this segment.

Established in 1976 with Limak Construction, the Limak Group of Companies has since added tourism, cement, energy, infrastructure, airport management and operations, port management, food and aviation sectors to its operations. Limak Energy is one of the biggest energy trading companies on the Turkish market.[141]

Limak has lived its golden age since the AK Party came into power in 2002. In 2004, Limak joined one of the biggest privatisation bids in Turkish history. The company won a bid of $292 million for the privatisation of TEKEL, at the time the sole manufacturer and distributor of alcohol and tobacco products in Turkey.[142] In 2007, Limak paid $3.1 billion to acquire the operating rights at Sabiha Gökçen Airport for 20 years.[143] In 2010, Limak became an energy distributor, and in buying İskenderun Marina, it stepped into port management in 2011.[144]

In 2012, the consortium including Limak-Cengiz-Kolin construction companies won the bid for the Yusufeli dam and hydroelectric power plant, which when constructed will be the world's third highest hydro plant. Moreover the same consortium won the bid for a third international airport project in Istanbul, one of Erdogan's mega projects.Nihat Özdemir, the

chairman of Limak, was initially convicted for corruption during Operation Blue Line in 2008, with prosecutors asking for a sentence of 30 years. He never did serve any jail time however and in 2013, as explained above, his sentence was cleared by the Turkish supreme court.

FERNAS GROUP

The Fernas Group[145] is active in different sectors such as infrastructure, industrial facilities, natural gas utilities, energy, mining, tourism and the production of cement and gypsum. The company was established in Batman, an eastern city known for oil extraction.

The owner of the company is Muzaffer Nasıroğlu, the cousin of former AK parliamentarian Nezir Nasıroğlu. Muzaffer Nasıroğlu was one of the defendants in Operation Blue Line. He was sentenced to two years and six months, but as described above, charges were dropped by a 2013 decision of the Supreme Court.

Muzaffer Nasıroğlu was also a defendant in Operation White Energy on charges of corruption and bribe. He was jailed on 15 February 2005 and released on 7 May 2005.

TURKEY CONCLUSIONS

The two major corruption scandals in the Turkish energy sector presented above, Operation White Energy and Operation Blue Line, point to the potential widespread use of bribery and corruption as a means for winning tenders on state contracts. The two scandals overlap with some key players, like Ibrahim Selçuk, who organised revue shows for Botas employees.

High level officials in the Ministry of Energy and Natural Resources, which partly controls Botas, Botas former deputy general manager Rıza Çiftçi, Limak Holding's current Chairman of the Board Nihat Özdemir, and Fernas owner Muzaffer Nasıroğlu were initially convicted for corruption. The Turkish supreme court subsequently cleared most of the defendants in the two corruption scandals but much of the evidence, including transcripts of police phone tapping that point to corrupted practices, remain in the public record. Muzaffer Nasıroğlu, who was convicted initially for corruption in Operation White Energy, did serve a symbolic jail term.

All the main contractors for TANAP are companies (state or private) close to the ruling AK party.

CONCLUSIONS

This sketch of some of the companies contracted to build the European sections of the Southern Gas Corridor — coupled with the fact that the project relies heavily on the cooperation of the regimes in Azerbaijan and Turkey — raises doubts about both the feasibility of the project and the rationale for using public money to construct it.

The European Union has made the Southern Gas Corridor its flagship project and has mobilised huge amounts of public money to finance it. But can the EU be assured of success? Will these companies — some of which have in the past been accused of mutiple acts of corruption and links to organised crime — deliver on the project?

The Southern Gas Corridor is a massive undertaking dependant on the actions of a number of governments and companies. Treated as a Project of Common Interest by the European Commission, it is benefitting from accelerated permitting and financing. Given the records of the companies presented in this study, is this priority treatment wise? A thorough assessment of the companies involved would seem to be necessary.

The European public banks financing the project rely on the consortiums coordinating the parts of the project and on national governments to conduct some of the due diligence for this project. Can the EU banks ensure that a proper due diligence is conducted, with no blind spots remaining?

The track records of these companies do not appear to have been seriously accounted for when awarding contracts for the project. At which point is a company with a track record of corruption allegations eliminated from contention for a contract? Our report seems to indicate that never. As the

main guarantors of how EU money is spent, the EU banks cannot afford to pass this task onto the TAP and TANAP consortiums which are, at the end of the day, accountable not to the European public but to their shareholders.

In its rush to build the Southern Gas Corridor, the EU appeats to have accepted sacrifices in due dilience. This may come back to haunt it. Companies that have misbehaved in the past are being entrusted with Europe's self-proclaimed most important energy project. This is risky business.

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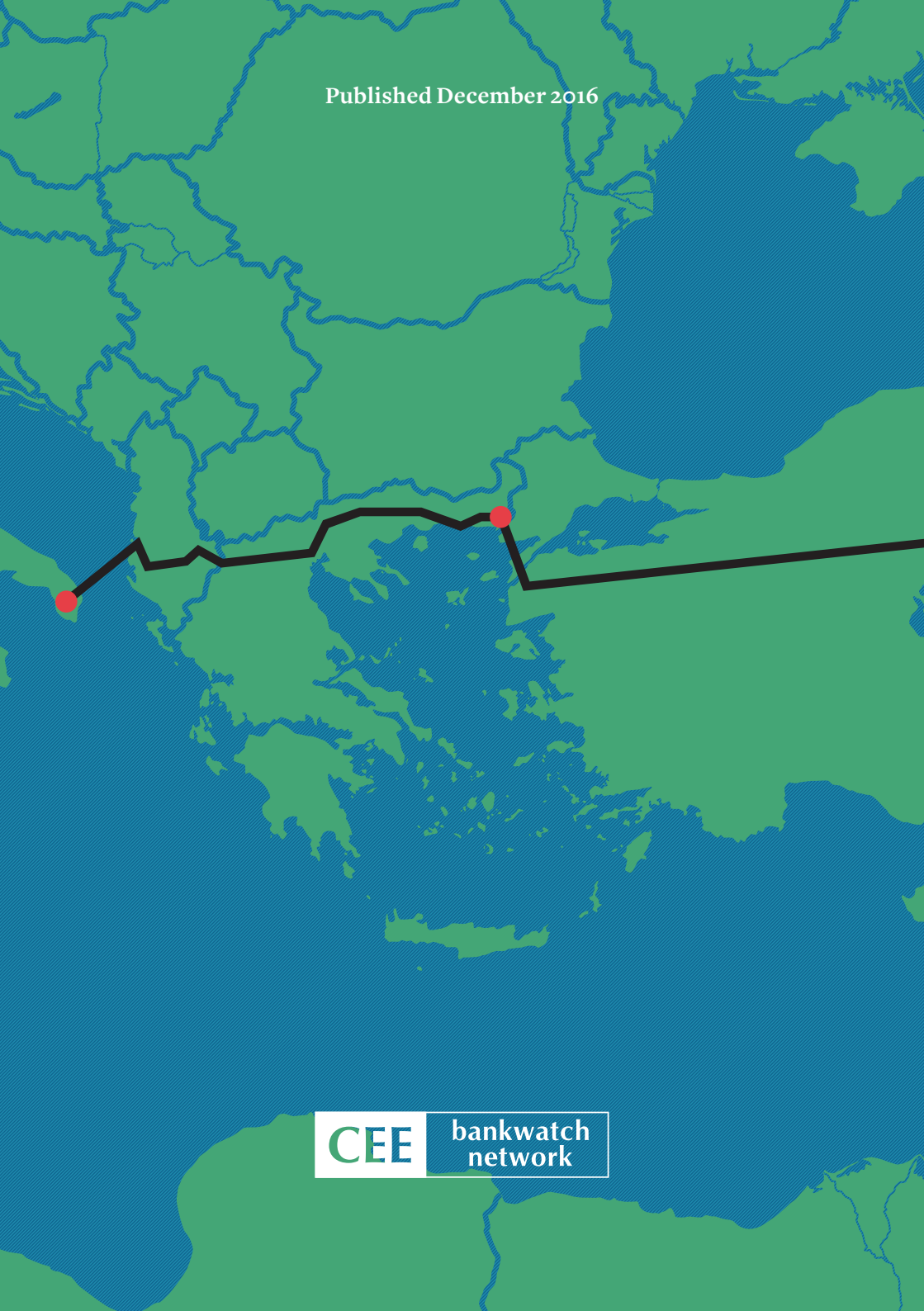
CEE bankwatch network

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