Counter Balance
Challenging the European Investment Bank

Money pressures:

How to win friends in Brussels and influence the EIB's lending

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INTRODUCTION

If you've ever been curious about how the Brussels 'machine' works, from a political but as well from a financial perspective, then this guide is for you. Did you know that there is an official 'EU bank' besides the European Central Bank, and that it lends billions of euros every year all round the world? This same bank is charged with putting EU policies into practice through its financing, yet it remains very much unknown to the general European public and may not even be on the radar of many Brussels insiders.

This bank is the European Investment Bank (EIB), and in this guide we explain how the institution works, how it interacts with important players in a game of influence and be influenced, and how frequently society—both EU taxpayers who support the EIB's existence and people living in the developing world—and the environment are being short-changed as a result of this non-transparent, shadowy spectacle.

Contrary to what its name suggests, the EIB operates in many parts of the world. If you look at its lending volumes, and according to its most recent annual report, in 2011 the EIB signed loans for a total amount of almost EUR 61 billion. EUR 7.1 billion—or over 11 percent of this amount—was assigned to projects outside the EU.

The largest portion of the EIB's lending is reserved for projects, often involving large infrastructure in the energy, transport or municipal sectors, within the EU member states. Yet the billions it lends annually outside EU borders influence the lives of millions of people around the globe in many ways.

Since its foundation under the Treaty of Rome in 1958, the EIB has managed to operate in the shadows of the other EU institutions. This is why the EIB, despite being the biggest global public lender, has been able to keep a low profile—although this has been changing in recent years, in part due to the efforts of civil society organisations.

As a general rule, the EIB follows the fairly non-specific objective to 'further the objectives of the European Union' through its lending, making it subject to conflicting policy goals and the interests of different players. In 2007 the Lisbon Treaty gave the bank a clear development mandate for its operations outside the EU.

In practice, however, a lot of other dynamics and considerations come into play, pushing the EIB's development objectives to the background.

For example, EU access to energy and raw materials might be considered more important than electricity for local communities, open markets for European businesses is often a stronger argument than the development of domestic companies, or investments in infrastructure should first of all be profitable and then—perhaps—sustainable. These are all considerations that surround the EIB's investment decisions in the developing world, and all too often the bottom line of businesses trumps the livelihood, environment and aspirations of local communities.

This guide aims to provide you with insights into how various actors try to influence (often very successfully) EIB investments and the EU policies, which then guide the bank. It will also take you on a tour of the main Brussels institutions that play a crucial role in these processes.

In order to better explain the dynamics, we provide four tours around important European topics: climate, energy, raw materials and the outsourcing of development financing to private actors. We outline the positions of the different actors around these topics, too, so you can have a quick check on where discussions are at around those topics.

The characters and scenarios are fictitious.

OVERSIGHT OF THE EIB: WHO'S MINDING THE EU BANK?

Although the EIB operates relatively autonomously when it comes to concrete projects, as far as its policies and guidelines are concerned the bank is closely linked to the other EU institutions: the European Commission, the European Parliament and the EU Council of Ministers.

The EU institutions are well known for attracting interest groups. The total number of lobbyists in Brussels is unknown, but there are estimated to be around 15,000. Over 70 percent work directly or indirectly for corporate interests, some 20 percent represent the interests of regions, cities and international institutions, while only around 10 percent represent non-governmental organisations, including trade unions, public health organisations or environmental groups.[1]

Considering the EIB's growing role and budget, interest in its lending power has been growing accordingly. To understand the bank it is important to understand where it sits within the EU institutional landscape. How far oversight of the EIB by the other institutions goes is discussed below. Although it's a shadowy game with a lot of back room talk, democratic control of the bank via the European Parliament in particular can be said to have improved in recent years.

European Commission

The European Commission influences the EIB in two different ways: first, it has representation on the board of the bank; second, it is the EU institution responsible for proposing and implementing EU legislation and strategies.

As a board member of the EIB, the Commission can give opinions and vote on concrete projects proposed for financing and it can also seek to influence the future direction of the bank. Within the Commission, it is the Directorate General ECFIN that represents all relevant directorate generals and coordinates between them on matters related to the EIB and its financing activities.

The European Commission is the sole EU institution able to propose new legislation and it has the reputation of being transparent. Stakeholders are regularly consulted and during public consultations different steps of the process are made public. Such consultations, however, provide excellent opportunities for lobby groups to influence the Commission's proposal as input and advice from experts and stakeholders are taken into account.

While the Parliament and the Council further amend Commission proposals, influencing the initial text is considered crucial as it sets out the general direction from the outset. Research has pointed out that lobbying is most effective at this stage. This makes the Commission the most lobbied Brussels institution.

EU legislation influences the EIB directly as, in principle, all EU legislation applies to the EIB. There are certain EU strategies, for example on raw materials, energy or development, that specifically mention the role of the EIB in these domains. They thus influence the general direction of the bank, though these strategies can also lead to conflicting mandates. The supply of raw materials to Europe, for example, and the EIB's role in supporting such efforts, may lead to negative social and environmental effects on the ground.

The most specific example of influence through legislation is the mandate given to the bank that determines the general conditions under which the EIB is supposed to operate outside the EU.

1 Corporate Europe Observatory, "Lobby planet—Brussels the EU quarter" 2005

European Parliament

The European Parliament (EP) and the Council jointly draw up EU legislation related to development cooperation. This includes the EIB's mandate to lend outside of the EU and the regulation of the European Development Fund. Since both are approved by the EP, this process provides various stakeholders and interest groups with opportunities to provide input and try to influence the positions of MEPs and thus the final text.

Given the European Parliament's supervisory role vis-à-vis the EU institutions, MEPs can formulate questions related to EIB operations in relation to EU law or to Commission operations related to ensuring the implementation of EU law by the EIB. Oral or written questions raised by MEPs are often based on inputs submitted by various stakeholders who have an interest and expertise on the issues.

Since 2000 the European Parliament initiates and agrees on a resolution on the EIB's annual report. These resolutions, combining praise with often quite critical comments, contain recommendations on the alignment (or otherwise) of EIB operations with EU priorities and objectives, and can refer to specific cases of EIB operations. The president of the EIB is invited to attend the reading of the draft resolution proposed by the parliament. The EIB should also prepare reports on how it implements the EP's recommendations.

MEPs have limited capacity to follow the implementation of their resolutions and responses to issues raised in parliamentary questions, making them very dependent on external actors. This, combined with their accessibility compared to other EU officials, makes them easy lobby targets. NGOs have played an important role in raising awareness about the EIB among MEPs. Likewise lobby groups representing EU industries have taken this opportunity to defend their interests.

Council of Ministers/Member states

The member states also have an important say on EIB policy issues. Not only are the member states the shareholders of the bank, their Ministers in the Council outline EU policies and take decisions which may impact the EIB. In the capacity of EIB Governors, ministers (mostly of Finance) decide upon the general direction of the bank. Additionally each member state appoints an EIB Director who has to approve individual projects.

The Council of Ministers has similar legislative powers as the European Parliament. Mostly the Council will have to find a compromise with the Parliament on a legislative proposal coming from the Commission. This is the case for the EIB's mandate to lend outside the EU but also for more general strategies with implications for the EIB such as the Raw Materials Initiative (see more on this specific initiative later in this guide).

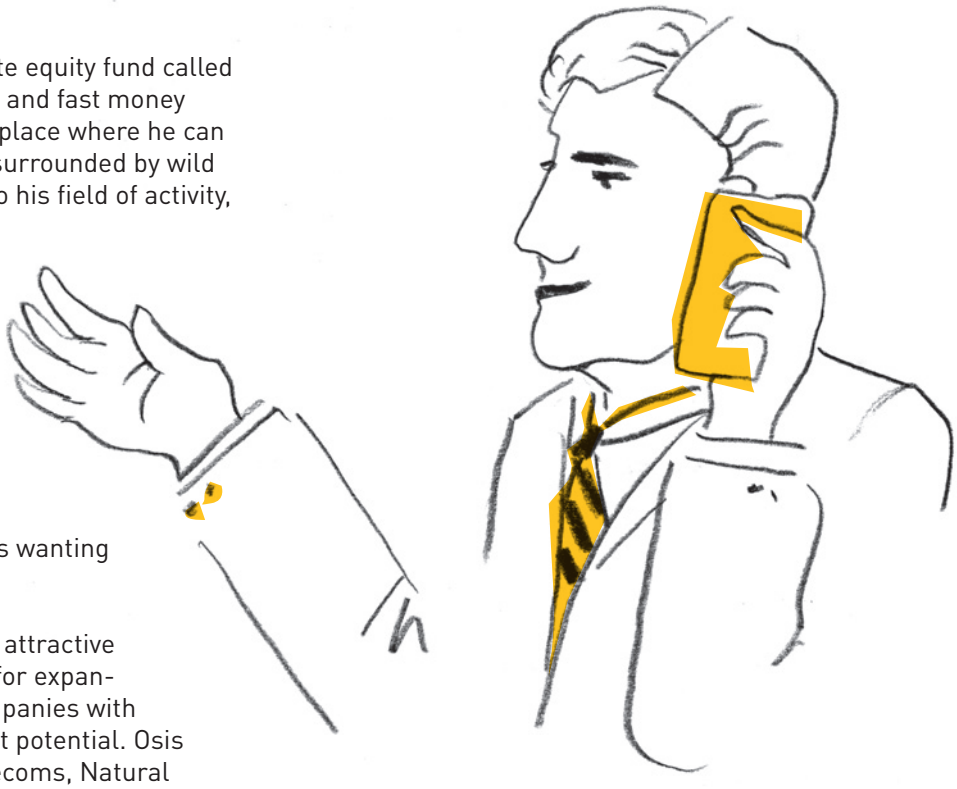
The Board of Governors, that consists of a minister of each member state, gathers once a year during the EIB's annual meeting in order to rubber stamp key priorities for the bank. It also appoints the members of the Board of Directors, the Management Committee and the Audit Committee.

The Board of Directors consists of a representative of each member state and one of the Commission. Their main task is to take final decisions on different projects proposed for financing. Although directors are only accountable to the bank, this is nevertheless an indication of the influence of national capitals on the bank as it gives them the opportunity to push for projects with major national interest.

National positions on the EIB are influenced through contacts at government level, especially with the ministers of finance or the permanent representatives of the country at the EU level (who decide up to 90 percent of the agenda before the Council of Ministers meet). These are far less accessible and as a consequence far more difficult to influence if you don't have the right contacts. National economic interests are the biggest factor here.

FABULOUS PETER DIME'S ROLE IN DEVELOPMENT FINANCE — FINANCIAL INTERMEDIARIES

Peter Dime is the manager of a private equity fund called 'Osis Capital Fund'. He likes fast cars and fast money but he is in love with Africa. The only place where he can truly relax is in the middle of nature surrounded by wild animals, on a safari. But Africa is also his field of activity, the focus of his fund.



Peter sees Africa as the continent of the future, full of opportunities especially when it comes to business. And business is what Africa needs: both as the solution to poverty, and as the best way to get there, he believes.

Osis Capital Fund provides companies wanting to expand with the necessary capital.

One of Peter's activities is analysis of attractive sectors within Africa that are poised for expansion, and he seeks out individual companies with attractive growth, profitability and exit potential. Osis Capital Fund's focus sectors are: Telecoms, Natural Resources, Financial Services, Power and Water, Agribusiness and Transportation.

In order to make sure that he can deliver attractive returns to your investors, Peter focuses on companies with strong growth prospects. When he invests, Osis Capital Fund usually takes a significant or majority shareholding in the target company and seeks a strong decision-making (or controlling) position within the company. Equally, another potentially viable approach that Osis Capital Fund may opt for involves investing into minority shareholdings where it works together with one or more of the other financial and/or strategic investors.

However, Peter also seeks to add value to Osis investments beyond simply providing funds, for instance working with management teams to revamp company reporting along international standards and creating management incentive programmes. He is always highly mindful of the timeline (return) of his investments, thus exit considerations are most important in both deal selection and the negotiation of terms. Peter keeps a very close eye on the liquidity of individual companies during the entire life of his investments.

Dime visits Brussels in order to network, learn about ongoing discussions and trends associated with private equity and to see whether he can talk to potential investors.

1. Business Europe

PLACE: Offices of Business Europe, Avenue de Cortenbergh 168

Dime stands in the lift of the building that hosts the office of Business Europe—he is running a minute late for his meeting with the business lobby group, with whom he has had regular email contact in the past. Yet he has a warm sense of anticipation about the meeting, as if he instinctively knows that his plans and ambitions for future African projects will be enthusiastically received. He is not to be disappointed.

As he awaits the representative from Business Europe in a conference room, Peter notices the front page headline of one of the morning papers:

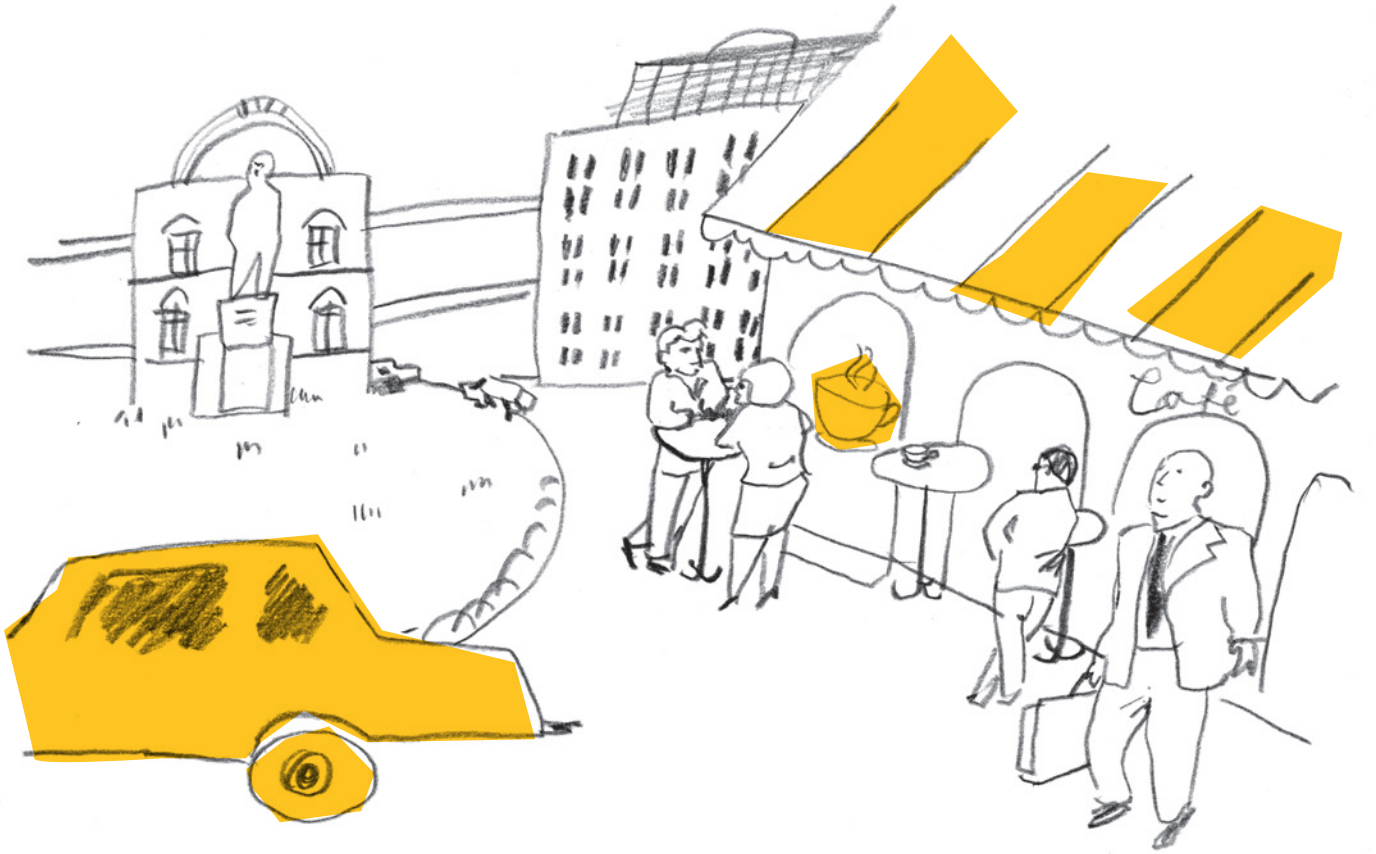
US PRESIDENTIAL CANDIDATE UNDER FIRE FOR PRIVATE EQUITY DEALINGS.

The article relates to Mitt Romney, the leading Republican candidate aiming to challenge Barack Obama for the US presidency later in 2012, whose business career has been attracting increased scrutiny and widespread criticism, especially the huge riches he has amassed thanks to private equity dealings. It strikes Peter as odd that a self-made man is coming under fire, in the US of all places.

But these thoughts quickly evaporate as Dime and the bright, energetic woman from Business Europe make their introductions and Dime gives his short pitch about Osis Capital Fund's plans. This pitch has been refined over the last few months—Peter has worked it down from 90 seconds to 42 seconds. He can almost do it in his sleep. It's all about three or four buzz words.

And the woman from Business Europe completely agrees with Peter's contention that business is the best way to overcome poverty and that there is a strong role for business to play in development, including through equity finance. What is new—and highly intriguing—to Peter's ears is something that the woman drops in quite casually to her assessment: they believe that public support for this is welcome and necessary.

She passes over a one page document that contains the submission of BUSINESS EUROPE to a questionnaire the European Commission put out on its "Green Paper on EU development policy".



The paper states:

"... In general, BUSINESS EUROPE also welcomes the Green Paper focus on facilitating more growth in developing countries and recommends following a country specific policy mix. Specific obstacles to economic growth will need to be addressed in partnership with the business community. Dialogue with the European private sector on EU development policy will therefore be crucial. At the same time, the EU should support public-private dialogue in developing countries. The private sector in developing countries can be an engine for economic reform, but it often does not have the organisational capacity to make its voice heard. Enterprises and business organizations from the EU can also play a crucial role in the implementation of EU development policy, not just by fostering investments but also through transferring capabilities to our partners in the developing countries."

Peter's mind is starting to race, and he forces himself to slow down and take in every word that he is reading. This is more than promising ... he continues reading the BUSINESS EUROPE submission:

"When it comes to ensuring a high EU impact development policy, the idea to use EU development aid as leverage is welcomed. The EU should to a larger extent use its public aid as a catalyst for other types of capital flows. This can be done by improving the framework conditions for doing business in order to attract foreign direct investment, and by offering a portfolio of capital (equity, loans, grants, mixed credits) and risk mitigation instruments, which will allow private investors to engage in developing countries with high risk profiles ...".

It flashes across his mind that he forgot one of his own buzz words in his opening remarks: "LEVERAGE". But never mind—there it is in the text before him, along with a stunningly concise elaboration of ... a large key is flashing across Peter's mind, though he quickly snaps out of it, purring the words "Very interesting".

The women is quick to offer some caveats:
"Just at consultation stage", "A lot more talking and doing required". But she exudes confidence, and can see she has made an impact on Peter. On the back of the submission document she jots down a contact name and address of the Directorate General for Development of the European Commission, suggesting to Peter that it would be worth dropping in with a copy of the Osis Capital Fund prospectus.

2. DG Development

PLACE: Offices of the DG DEVCO, Rue de la Loi, 41

Dime heads to the nearest brasserie round the corner from the BUSINESS EUROPE offices, and as he waits for his coffee to arrive feasts his eyes once again on those two paragraphs that he was given by BUSINESS EUROPE. "Well, well, well," he thinks, and realises there is no time to lose. In no time, his Blackberry has discovered a contact number for the Directorate General for Development, and though he has to be at his persuasive best, he confirms an appointment (over a sandwich in the Commission canteen) in two hours time.

The man at the DG Development reception is very officious, but Peter finally makes it through, and after a few false introductions to functionaries in the canteen finally catches up with the Commission official he spoke to on the phone just a couple of hours ago. Peter casually skims over the conversation he had with BUSINESS EUROPE earlier, and wonders how things currently stand in the consultation process. He offers that what he has heard from BUSINESS EUROPE sounds very exciting, with enormous potential for developing world businesses and society.

The representative says that the Green Paper was published in order to launch a debate "on how the EU can best support developing countries' efforts to speed up progress towards the Millenium Development Goalss, and how it can strive to leverage new opportunities to reduce poverty".

In this paper they stressed the importance of private sector and private investments, which might well come under the form of risk sharing finance in order to promote, for example, the building of post-extractive industries. Peter nods his head, mentioning quickly that this sector is very appealing to Osis Capital Fund.

The Commission representative takes note, Dime thinks, but continues barely pausing for breath. Beyond the Green Paper, he says, it might be most interesting for Dime to look into the Communication "A budget for Europe 2020" published at the end of June 2011, which contains the prospects for budget spending in the next period 2014-2020. There is a section on development, where the use of financial instruments and the role of

the private sector in development are mentioned, and it might be especially interesting for him that there is an emphasis on Africa.

For the second time that day, Dime is handed a rather dry looking document (five pages this time) that however contains a galaxy of possibilities for his business mind. This time a few paragraphs have been highlighted in yellow pen. The Commission official makes his excuses, and leaves to get back to his desk.

Dime's eyes focus on the highlighted sections of text:

"5.7 The EU as a global player

What happens outside the borders of the EU can and does directly affect the prosperity and security of EU citizens. It is therefore in the interest of the EU to be actively engaged in influencing the world around us, including through the use of financial instruments.

The Lisbon Treaty marks a new departure in the EU's relations with the rest of the world (...) The EU will continue to promote and defend human rights, democracy and the rule of law abroad. It is a major aspect of EU external action in defending its values.

Another key priority is to respect the EU's formal undertaking to commit 0.7% of gross national product (GNP) to overseas development by maintaining the share of the EU budget as part of the common effort made by the EU as a whole by 2015, thus making a decisive step towards achieving the Millennium Development Goals (MDGs). A pan-African instrument under the Development and Cooperation Instrument (DCI) will be created to support the implementation of the Joint Africa Europe Strategy, focusing on the clear added value of cross regional and continental activities. It will be flexible enough to accommodate contributions from EU Member States, African states, financial institutions and the private sector. In addition, the Development and Cooperation Instrument (DCI) will focus on poverty eradication and the achievement of the MDGs in the relevant regions of the world."

There's definitely something in this, thinks Dime, but he kicks himself for not being more insistent with the Commission guy. Sure, he had to run off for some deadline, but who doesn't have deadlines? Osis Capital Fund has got a deadline—to start making big moves into Africa, as soon as possible.

But what's this on the back page? A web link to a site called "Counter Balance" it looks like—with a note next to it: *"New PE report !!!"*

Dime whips out his laptop, does some intuitive searching for Counter Balance and ... yes ... private equity. And finds a pdf of a report into private equity by this organisation, yes a non-governmental organisation. What's more, there's some press coverage of the report in The Guardian newspaper: *"EU aid for Africa ends up in tax havens, watchdog claims"* screams the headline.

Before long, Dime has managed to hunt down a contact number for someone at Counter Balance and sets up an appointment at their office. His sister's husband used to work at an NGO—a bit of a crazy phase Willem had back then a few years ago, but occasionally he'd have some interesting perspectives on things. And he'd always said: "Know your enemy!"

So, thinks Dime, let's see what these guys have to say—let's see if they can stand up their allegations about development finance. And who or what is this EIB they seem to be banging on about all the time?

3. Counter Balance and Eurodad

PLACE: Mundo B, Rue d'Edimbourg 26

When Dime gets to the Counter Balance office, he meets their coordinator who introduces him to a guy sitting with a laptop at the same table in the organic canteen—someone from another NGO intriguingly called Eurodad, apparently a network of European organisations focusing on debt reduction, effective development and poverty reduction.

After a few pleasantries, Dime cuts to the chase and decides to mention the Counter Balance report that he just uncovered two hours ago. It's the first he's heard of this kind of thing, and he's been working in private equity circles for the last seven years!

The Eurodad representative explains him that they are critical (and the Counter Balance person nods too) about public development banks pushing more and more money into private equity funds. They fear that there are not enough proper controls on how the money will be used. Nobody really knows where the money is going to end up and if it is going to help the people who really need it.

He refers to a big private equity infrastructure fund that the World Bank's International Finance Corporation intends to set up and which has triggered protests from civil society. They fear that the funneling of money through private banks and equity funds lacks sufficient scrutiny and gives little guarantee that the money will deliver genuine development benefits. They don't buy the argument that these funds can leverage additional funding and claim that they are just sucking up money.

Ah, there's that word 'leverage' again, but Peter sticks to his guns, and challenges what he's just heard: these are merely claims, surely? Osis Capital Fund scrutinises the companies that it invests into very carefully, actually for its own interests so that the companies deliver on their business plan, which in turn ensures that Osis recoups its money and reaches the foreseen rate of return on your investment.

At this point the Counter Balance coordinator starts talking about a case they have been looking into, which shows that their critique is more than just a claim. She explains that the European Investment Bank (ah, the EIB) backed the private equity fund "Emerging Capital Partners Africa Fund II PCC" (ECP Africa Fund II), which invested in Nigerian companies reported to be "fronts" for the alleged laundering of money, said to have been obtained corruptly by the former governor of Nigeria's oil rich Delta State, James Ibori.

She hands Dime a report they published on this, as well as a short article from the Guardian newspaper that picked up the main controversies detailed in the report:

David Hencke | guardian.co.uk, Thursday 25 November 2010

EU aid for Africa ends up in tax havens, watchdog claims

Claims that hundreds of millions of pounds of EU aid for Africa is being handed over to banks and private equity funds and then funnelled into tax havens

Hundreds of millions of pounds of European Union aid to help the poor in Africa is being handed over without public scrutiny to banks and private equity companies and funnelled into tax havens, a new report claims.

Counter Balance, a group of non-government organisations, has investigated the €1.1bn (£932m) of annual aid from the taxpayer-funded European Investment Bank to Africa and the Caribbean. It alleges that the cash disappeared into African banks, a Luxembourg tax haven and a Nigerian bank whose managing director was under investigation for fraud.

The EIB is able to borrow billions on the markets to fund the aid because it has a triple AAA credit rating. This means Britain and other leading EU economies are underwriting its loans and there is now concern, following the Irish financial crisis, that there could be problems with its lending to Africa.

The report claims that:

- A €50m loan was given to the Intercontinental Bank of Nigeria in 2007 when the MD was under investigation by Nigeria's economic and financial crimes commission – the equivalent of Britain's Serious Fraud Office. The bank was bailed out by the state less than two years later.
- A €15m loan to the National Bank of Malawi was publicised on the EIB's website but never made. The bank thought the EIB had given it to NBS Bank in Malawi — but it had not. It has now "inexplicably" ended up at First Merchant Bank in Malawi, but only €2.8m has been handed out.
- A €7m loan for Gabon and a €5m loan to Rwanda granted more than a year ago have still not been spent.
- Some 60% of EIB's investment in private equity funds for Africa – some €125m – is in one African country, Mauritius, where according to the EIB "the comprehensive regulatory framework favours private sector development".
- Another €4m in private equity investment destined for Angola was given to a company based in Delaware but registered in Luxembourg, a tax haven. Another firm registered in Luxembourg handled a €5m investment for Cameroon and Chad.

The report condemns the EIB for lack of checks and failure to make public what is happening to the cash. "The bank provides next to no information on where this money ends up. This is compounded by the EIB's rigorous protection of its clients' commercial confidentiality as well as the interest of the latter to protect the confidentiality of the ultimate clients benefitting from the loans."

The EIB said the bank had "exemplary transparency and accountability standards". It said: "Working with African financial institutions allows the EIB to pass on specific sector understanding, banking best practice and ensures more effective lending and cheaper financial support for local companies."

The spokesman said that information was held back for commercial reasons. " No bank in the world would release all this information about its clients," he said.

The EIB admitted that there had been confusion about which bank in Malawi had received its cash but said that "we like to spread the money around to different banks".

SOURCE: http://www.guardian.co.uk/business/2010/nov/25/european-investment-bank-criticised

Dime thanks them for a print out of the article, and in the back of his mind is thinking—time is of the essence here, I don't think I'll get much more out of the NGOs, but the EIB? If they're the EU's bank, everything will be above board, and it sounds like they're the only ones in Europe with investment cash right now.

He asks the two of them about how to reach the EIB. They say he could try the EIB's Brussels office. Peter insists on paying the bill—two green teas and a Coke—and gets out of there as soon as he can. On the Metro, he scans the Guardian article more carefully.

Jeez! Well, obviously these non-constructive NGOs would do their best to use a few isolated cases in order to cast doubts about the whole good idea of private equity for development. People tend to think in very black and white terms and mix up everything. They start complaining about funds they call vulture funds, say that they increasingly buy up the debt of developing countries at a huge discount and afterwards sue for the original amount of debt with interest and penalty fees. And because these funds are often based in tax havens, everyone registered in a tax haven is considered to be stealing taxes from developing countries.

But well, to be forewarned is to be forearmed. It's too late to get to the EIB office today, so Dime heads to the bars around the Brussels press centre. He soon gets talking to a couple of freelance journalists, mentioning his line of work and also tries to tap them for any info on this EIB.

One of the journalists, a kind of crumpled, unshaven type, mutters a few things about wanting to do an expose on the EIB, but never has enough time or interest from the editors around town. The other one, though, who says she is on the EIB press list and has run a few stories on them ("All good stuff, you know, about lending for roads and airports around Europe"), extracts an EIB contact for Dime from her phone.

On the way home to his hotel, his head full of ideas for rapid Osis Capital Fund expansion, Dime resolves to give the EIB Brussels office a phone first thing in the morning.

4. European Investment Bank

PLACE: EIB office, Rue de la Loi 227

After a lot of hanging around all morning (the EIB representative was called twice away into urgent meetings, leaving Dime to trudge around the streets awaiting a call back from the office secretary), Dime finally meets the man from the EIB—not the top man of the Brussels office, but senior enough, Dime thinks. The EIB representative warmly welcomes Peter, explaining that the EIB uses intermediated loans and private equity increasingly in their lending outside the EU. In an overall terrible EU investment climate, this—Peter infers—is one area not only to be watching, but to be grabbing with both hands.

In 2009, the EIB guy elaborates more, this type of lending accounted for 37 percent of the bank's non-EU lending. They signed, for example, a contract in 2009 with the African Capital Alliance Ltd. for the "Capital Alliance Private Equity III Limited Fund", a fund of about USD 500 million, for which the EIB agreed to provide EUR 28 million. The fund intends to make an internal rate of return of 30 percent and wants to promote development through investments primarily in the following sectors: energy (40 percent), information technology, telecommunications, services, agro-allied and manufacturing.

That's not the same fund that I heard about from the NGOs yesterday, is it, thinks Dime—but he decides not to query it as the EIB representative is really getting into his stride now. This is sounding very promising ...

So the EIB might well be interested in participating in Osis Capital Fund, or a specialised fund that Osis might set up. There is increasing interest on the part of international finance institutions and officials in doing development through private funds: the watchwords and buzz terms are "involvement and promotion of the private sector", "leverage and ability to reach more smaller companies", "good for development and good for business."

Dime plucks out an Osis prospectus from his briefcase—and flicking through the pages there's a tacit, mutual realisation between the two men that many of the big bold flash words in the prospectus echo precisely what the EIB man has been saying.

The EIB representative is at pains to tell Dime that he is not able to really take things forward today, but he gives him the contact details of a colleague in the EIB's Luxembourg headquarters who assesses private equity opportunities. When it comes to private equity, the EIB prefers to work with 'trusted partners', so if things do progress, Dime's company can expect to be screened.

5. European Parliament

PLACE: European Parliament, Rue Wiertz, 60

Brimming with excitement and confidence, Dime almost wants to pop some champagne corks right there and then before heading home on the train. But there's one more engagement to fulfil—possibly highly tedious and unnecessary, but it was set up by a mutual acquaintance, actually at Dime's's request. So the celebrations can wait—until the train!

Dime sets off from the EIB office to go to see a member of the European Parliament who sits on the development committee. This committee came up with an own initiative report of Eva Joly earlier this year on "Tax and Development—Cooperating with Developing Countries on Promoting Good Governance in Tax Matters". Given that Osis Capital Fund is registered in Mauritius, which is considered by some as a tax haven, Dime is curious to learn more about it.

Thankfully the MEP is apologetic and says that due to unforeseen circumstances, she only has ten minutes. But she still finds the time to stress that tax havens weaken democratic governance, make economic crime more profitable, encourage rent-seeking and increase the inequitable distribution of tax revenues. She points out that tax evasion represents a considerable financial loss for developing countries, and that measures to combat tax havens and tax evasion are one of the priorities for the EU, with a view to providing developing countries with effective help in gaining access to their tax revenues.

The EP report thus urged the EU to make the fight against tax havens and corruption a top priority of the agenda in international finance and development institutions. It recalled the need to take the appropriate measures in that respect at European and international level, in accordance with the commitments given, in particular, by the G20.

During the talk Dime realises that an own initiative report is mainly a document to stir up discussion and keep certain topics alive, but that no direct regulation will derive from it.

Aside from this rather irrelevant final meeting, Dime sets off for home with a good feeling about the visit to the EU capital. He's had clear signals that private equity and development finance is a go-er right now, and there is good political support from important players such as the Commission and the EIB. What's more, there is a phone call to be made to the EIB headquarters. And that's something for first thing Monday morning.

Sources:

"Hit and run development—Some things the EIB would rather you didn't know about its lending practices in Africa, and some things that can no longer be covered up", Counter Balance, November 2010

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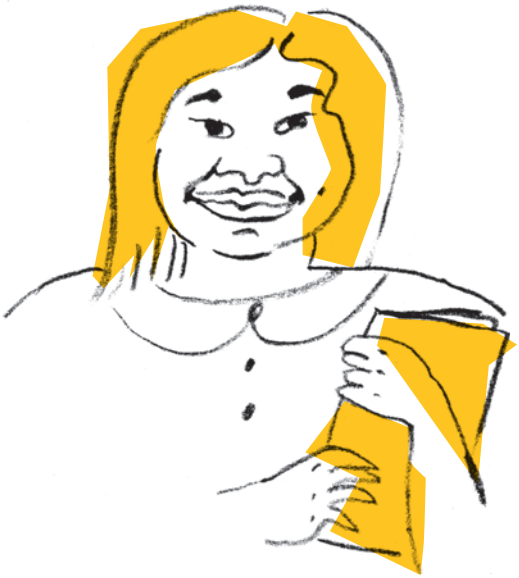
SAVING THE CLIMATE: MORE TALK THAN ACTION IN THE BRUSSELS ARENA — CLIMATE



Mary Kabotau is a climate activist from Kiribati, a small Pacific Island nation that is a member of the "Alliance of Small Island States" (AOSIS). This is an inter-governmental organisation of low-lying coastal and small island countries. Kiribati lies so low that the risks from sea level rise—due to climate change—threaten its physical existence. This is a threat bearing down on several AOSIS members.

The main purpose of the alliance is to consolidate the voices of Small Island Developing States (SIDS) in order to address climate change. AOSIS is very active in the United Nations Framework Convention on Climate Change (UNFCCC) negotiations and advocates strongly for action to limit climate change to 1.5°C. This requires the long-term stabilisation of atmospheric greenhouse gas (GHG) concentrations at below 350 parts per million (ppm) of CO2-equivalent. In order to start on a pathway that could achieve this, AOSIS has proposed that global emissions should peak by 2015 at the latest, and decrease thereafter to at least 85 percent below 1990 levels by 2050.

Mary has made the long journey to Brussels—with all the carbon emissions involved in a trans-continental flight—at the invitation of a Member of the European Parliament (MEP) whom she met at the conference of parties on the UNFCCC at Copenhagen 2010. That meeting, which ended so disappointingly for climate campaigners, was not the best venue for really getting to grips with all the issues and key actors. As the European Union continues to present itself as a leader on climate change, on behalf of AOSIS Mary would like to forge closer links with some officials at the EU institutions.

Somehow touching down at the airport on a rainy Brussels day seems to make real a suspicion that has been hovering in her mind throughout the flight—that when it comes to the EU and climate issues, there is more talk than action.

1. European Parliament

PLACE: European Parliament, Rue Wiertz, 60

Feeling fairly drained after the flight, Mary turns up at the entrance to the European Parliament, and thankfully the MEP's assistant is there to guide her through the security desk.

The buzzing atmosphere of the parliament reminds Mary of Copenhagen, and soon she is sharing more Copenhagen memories with the MEP. The coffee might be very welcome but soon the MEP confirms Mary's fears by explaining that the parliament recently had an own initiative report about the move beyond 20 percent greenhouse gas emission reductions by 2020, the official target.

Earlier in May 2011 the Environment (ENVI) Committee of the EP adopted its report on the EU's greenhouse gas (GHG) reduction targets for 2020. They called for the EU to move to an overall 30 percent target with 25 percent domestic reductions to be made within the EU, the rest to be done through actions in third countries—so-called offsetting.

ENVI also supported the idea of setting aside 1.4 billion allowances from the EU Emission Trading Scheme (ETS) prior to 2020 in order to maintain incentives in the ETS for more GHG reductions.

Subsequently, however, the report was weakened by amendments put forward by the conservative majority in the EP. It was weakened so much that the rapporteur asked the parliament to reject the amended report—which actually happened. Thus, strong voices in parliament that stressed the benefits for the European economy, as well as the advantages the EU would get in the race to a climate safe future if higher targets were accepted, were ignored.

This, the MEP regretably admits, is the new reality that the financial crisis has delivered. If the environment lobby in Brussels and elsewhere across Europe had set their sights on a 'green new deal' to help minimise the chances of European recession, this has been blown out of the water by the clamouring of the industrial lobby: their warnings that seeking to achieve higher climate targets will only hamper industry more in these grave economic times seem to have been successful, at least for now. The MEP has got his heart in the right place, insisting that this is no time to give up now, and pledges solidarity with the future work and efforts of AOSIS. Mary is all smiles as she says goodbye, but her heart sinks a bit as she heads back into the bustling corridors of the EP building, and is relieved to get out and breathe some air.

2. DG Climate

PLACE: Offices of DG Climate, Avenue de Beaulieu

The EU's Emission Trading Scheme (ETS) cropped up in discussions with the MEP, and it's certainly something that Mary wanted to get more up to speed on—there's a fair amount of scepticism about this scheme, especially from environmental groups. And so, as the Commission on Climate is leading on ETS, several weeks ago Mary set up a meeting in that Directorate General.

After a lot of hanging around in reception, Mary is ushered upstairs to the cramped box office of the representative from DG Climate. There are high piles of paper everywhere, with a few ring binders balancing precariously. The representative apologises, explaining that there's "another audit" on this week.

He wastes no time, and starts explaining to Mary that the EU's ETS is the largest multi-national emissions trading scheme in the world. It was launched in 2005 and is a major pillar of EU climate policy. It covers more than 10,000 installations in the energy and industrial sectors that are collectively responsible for nearly 50 percent of the EU's CO2 emissions.

Those installations covered under the scheme must monitor and annually report their CO2 emissions. There is a cap to emission allowances or credits, which are allocated to the installations for several years (known as the 'trading period'). Currently, the installations get the trading credits from national allowance plans, which their government sets up. Besides receiving this initial allocation, an operator may purchase EU and international trading credits. On the other hand, if an installation reduces its carbon emissions, it will be able to sell its credits and make a profit. This is the market approach, which counts on incentives for utilities to reduce their GHG emissions without much government intervention.

Mary decides to butt in, as she's aware of criticism along the lines that from the scheme's outset allowances were given for free and that there were too many allowances to set an actual incentive for utilities to reduce their GHG emissions.

The DG representative is already anticipating Mary's query before she is a quarter of the way through it, and responds by insisting that the ETS is delivering real emission reductions: new calculations by DG Climate show that average annual emissions per installation in 2010 were around 8 percent lower than when the ETS was launched in 2005. While some might say this reduction is mostly due to the economic crisis, the representative stresses that even when the economy reverts back to normal, the ETS emissions will remain well below the cap for the 2008–2012 trading period.

DG Climate is of course very much aware that there were some problems but that those have been addressed for the next trading period: allowances will no longer be allocated per member state, but at the European level, per sector; and the cap will be continuously lowered by 1.74 percent annually. The ETS will also gradually move from mainly free allocations to more than half of the allowances being auctioned. And member states have committed to invest at least half of the auction revenues in climate-friendly measures. In addition, international offsetting will be further limited from 2013 onwards.

Delving into one of his paper piles, the representative plucks out a copy of the *"Roadmap for Moving to a Low Carbon Economy in 2050"* that the Commission published in March 2011 and hands it to Mary. This roadmap sets out a plan to meet the long-term target of reducing domestic emissions by 80 percent by mid-century, as agreed by European heads of state and governments. It shows how the sectors responsible for Europe's emissions—power generation, industry, transport, buildings and construction, as well as agriculture—can make the transition to a low-carbon economy over the coming decades.

Mary, though, can't help but point out to him that this roadmap is driven by the desire to stay below 2°C of warming which might not be enough to ensure the continued existence of her island nation. The representative quickly replies that she shouldn't underestimate the ambition of this roadmap, which provoked a fierce outcry from energy-intensive industry.

Noticing that Mary's raised eyebrows are not disappearing (just like she herself isn't), the representative offers to phone a contact of his at one of these energy-intensive industries, to arrange a meeting for Mary. Two minutes later, Mary is running across the street for a coffee appointment with someone from some organisation called ... Eurofer, she thinks.

3. European Steelmakers, Eurofer

PLACE: Brasserie, around the corner from the Office of Eurofer, Avenue Ariane, 5

A charming looking woman in her late twenties spots Mary as she bounds into the brasserie that the guy from the Commission had pointed to from the window across the street. The woman introduces herself as a representative of the European Steelmakers industry body Eurofer. Mary stifles a grin—to think that this snappily dressed, rather attractive woman is somehow engaged in the steel business! Mary soon finds out why.

The woman has had a brief chat with the Commission guy, and is happy to explain the problem to Mary: in a nutshell, the planned reforms in the ETS in 2013 foresee that only the most efficient plants will get permits for free and less efficient plants will have to start paying like many other companies emitting high amounts of CO2.

Eurofer's representative continues enthusiastically, telling Mary that up to now steelmakers have been exempted from having to pay for their CO2 allocations. Eurofer wrote a letter to the Commission to express its grave concern and stress that these legislative measures may intend to help mitigate climate change but that they won't. She explains that added environmental costs will put steelmakers at a competitive disadvantage to overseas rivals, forcing steel production to migrate outside the EU where manufacturers can pollute for free. The net result would be lost European jobs, and no climate benefit.

Mary interjects, a bit vaguely, saying that she seems to remember that someone once explained to her that the steelmaker ArcelorMittal alone earned $140 million from the sale of spare permits it got for free.

This is quickly dealt with by Eurofer's bright-eyed representative, who explains adamantly that past profits don't help when it comes to rising costs in the future. Eurofer also challenges some of the assumptions made in the climate roadmap as the strategy is based on hopes that new high-tech "green jobs" will offset any loss in jobs in traditional "heavy industry", an assumption that Eurofer calls "deplorable".

The charming young woman, who Mary reckons actually does have some steel about her, rounds up by insisting that the steel industry should be protected as it is vital to Europe's overall economy, not to mention its green ambitions as it provides materials for making wind turbines and fuel-efficient cars.

Almost before Mary can catch her breath, the Eurofer representative is settling the bill for coffee—she has to rush off to a reception in the European Parliament. She bids Mary a fond farewell, handing over a business card. Mary has some cards at the bottom of one of her bags (she really must get to the hotel soon and get unpacked), but decides it would be pointless to spend five minutes looking for them.

4. European Council

PLACE: Council building, Justius Lipsius, Rue de la Loi 175

On her way to the hotel finally, Mary passes by the European Council. In this EU decision-making body in June 2011, Poland blocked a move by European environment ministers to set a more ambitious emissions reduction goal by 2020, even though this was fairly modest as it concerned a non-binding 25 percent cut in emissions by 2020.

The environmental ministers' meeting where this happened was actually in Luxembourg, but passing by the council building makes Mary consider—in all her growing tiredness—the power that a single EU member country can wield if they really want to block a decision.

Mary gets into her hotel room, dumps her bags, lies down on her bed and briefly contemplates tomorrow's first appointment at ... the EIB ... the EIB ... the E... I... B...

5. European Investment Bank

PLACE: EIB office, Rue de la Loi 227

Refreshed after a good night's sleep, Mary is perusing a briefing paper over breakfast in the hotel. It turns out that she's ended up in quite a swanky place, and the breakfast is very hearty—not what she's used to at all, but a new experience all the same. Out of the corner of her eye, she spots the woman from Eurofer leaving the restaurant area with two well-dressed men. Mary waves over, but realises she hasn't been recognised.

Back to the briefing paper—the discussions around climate change are about mitigation (actions to avoid climate change) and adaptation (actions to address the effects of climate change) and who will pay for them. In Kiribati many people think that it would be extremely unfair if the islanders had to pay especially for adaptation measures since Kiribati's contribution to climate change is negligible, but the whole island is predicted to suffer badly from its effects.

Many groups therefore challenge the fact that some adaptation money will be given as loans rather than grants as it seems cynical that countries that did not cause climate change should get into debt for addressing a problem that others provoked. Mary has followed a lot of the discussions regarding the World Bank and how it wants to play an important role as financier in the global answers to climate change. It seems to AOSIS that this kind of thing should be happening under the auspices of the UN.

Similar to the World Bank, and with an office in Brussels, is the European Investment Bank, the so-called EU bank that Mary encountered briefly at a cocktail do in Copenhagen. The EIB people weren't exactly welcoming there, but when researching this trip, Mary discovered that lately the EIB has also been expressing a desire to play a role in climate finance. Gratifyingly, they agreed via email to a short meeting when Mary was in town.

Three EIB staffers greet Mary on her arrival at the EIB office, and are full of questions about AOSIS. One had been on holiday in the Pacific Islands just last year, and marvelled at the unspoilt beauty of several islands he had visited.

They give Mary an introductory Powerpoint presentation: as the long-term lending body of the European Union, the fight against climate change has become a priority for the EIB.

The EIB supports the EU's goal of low-carbon and climate-resilient growth within and outside the Union. The EIB's financing in these sectors is one of the largest among the international financial institutions: in 2010, the bank invested EUR 21 billion in climate action, of which EUR 19 billion was mobilised in the EU. Acting as a financial leader supporting innovative clean and climate-resilient technologies, the EIB is committed to catalysing investment with partners both within and outside Europe. The EIB already dedicates 20 percent of its overall lending to climate action. This target, established by the EIB in 2010, is meant to progressively increase in future years.

The EIB's climate action focuses both on low-carbon investments that mitigate GHG emissions and on climate-resilient projects that improve adaptation to climate change impacts. Financing activities in these two areas are developed in the area of energy, transport, water, wastewater, solid waste, forestry, and research, development and innovation (RDI). The EIB supports among other things energy efficiency and renewable energy investments, low-carbon technologies and processes like clean transport or carbon capture and storage (CCS), afforestation and sustainable forest management or the development of carbon markets.

Most recently, in July 2011, the Council of the EU approved the external lending mandate of the EIB, which includes two billion euros for a new facility for climate action.

The Powerpoint presentation is a blizzard of images showing shiny new wind turbines, pristine power plants and besuited men in hard hats shaking hands with various dignitaries around the world. It is slick, and Mary feels in over her depth somewhat.

All the same, she does recall talking to some critical NGOs that stressed several reasons why the EIB approach might not be such a good idea—while she doesn't remember all the points they made, she remembers some: 1) The EIB as a bank works on the basis of loans, while adaptation should be financed by grants; 2) The EIB's definition of "clean technology" might be questionable, for example relying on Carbon Capture and Storage to combat climate change. Many consider this a red herring to calm criticism about new coal power plants, and which will never be able to deliver, and; 3) The develop-

ment of carbon markets promotes carbon offsets. Mary is still not persuaded that this market based instrument is really successful, and the talk with Eurofer only increased her doubts.

But all of this seems a bit fuzzy, and Mary decides to cut to the chase—will the EIB be phasing out its investments to fossil-fuel projects any time soon? Don't such deals undercut the good work the bank is doing elsewhere, on energy efficiency and renewables?

At this, and almost simultaneously, the three EIB guys shift in their chairs, and one finally responds that there is currently a transition to clean energy taking place, which the EIB fully supports, but that this requires the bank to respond to the needs of the full energy mix for the time being.

To Mary's mind, this is far from convincing, but it doesn't seem like an appropriate time or place for a detailed debate. She says she must get going, to another meeting with some climate NGOs—and the EIB staffers don't seem perturbed to wind things up. They present Mary with a heavy plastic bag containing EIB brochures, DVD and badges, and escort her to the lift.

6. Non-governmental organisations

PLACE: Mundo B, Rue d'Edimbourg 26

Mary walks unhurriedly to the Brussels NGO building Mundo B, where she is due to meet with someone from Climate Action Network (CAN) Europe and someone from FERN. CAN Europe is a network working on climate end energy issues with 149 members in 25 European countries. FERN is a small organisation that is very critical about carbon trading.

Mary meets up with the NGO people in the building's pleasant cafe, and has quickly got her notebook out.

CAN Europe, she hears, is closely following the UNFCCC agenda and is trying to lobby for higher EU reduction targets. However, after the events, or rather non-events in terms of climate protection, in the first half of 2011, they feel that the three EU decision making institutions (the European Commission, Council and Parliament) are in agreement that moving beyond the current 20 percent reduction target for 2020 will not happen any time soon.

CAN Europe, Mary is told, sees a growing tendency among policy makers, stakeholders and NGOs to doubt whether working on climate targets is still the best way forward, and thus the organisation feels the need to rethink strategies.

For example, whether supporting policies that bring about more energy efficiency and, if implemented correctly, fewer GHG emissions would be a better way to go. Or whether focussing even more on GHG targets, including the CAN Europe 40 percent 2020 reduction ask, is now even more important. While they feel the need to rethink strategies, they see some achievements from previous work that will continue to be important in the future, like persuading trade unions to support more ambitious climate targets, exposing the lobby work of big European polluters or broad education on the benefits of enhanced climate action.

FERN's approach is different: they want to move the climate debate beyond carbon trading. The organisation believes that combating climate change with a market mechanism that allows emissions in one place to continue on the back of a claimed reduction in another place is foolish. Reductions need to happen everywhere, particularly in industrialised countries. And they need to happen now. Therefore, no time, money and effort should be spent on putting in place the infrastructure for a new global carbon trading scheme at the expense of investment in genuine emission reductions and establishing low carbon energy and transport infrastructures.

FERN therefore works with the Durban Group for Climate Justice, a group of organisations that believe climate policy needs to move beyond carbon trading and focus on ending fossil fuel dependency. In order to achieve this, they document how carbon trading delays action to end fossil fuel dependence and thus acts as a distraction from the urgent need to drastically cut GHG emissions, especially in industrialised countries.

For Mary, such aspirational talk is very encouraging, although the NGOs are, and have been, obviously involved in a tough struggle—one that is not getting any easier.

Various ideas for co-operation are tossed around over the table, including a potential Speakers' Tour involving Kiribati natives visiting national parliaments across the EU. The NGOs have got experience of coordinating such tours—and they can often hit the spot.

Mary found these discussions very educational. But returning home she is rather worried about future climate action from the EU side, with all the hesitations and objections on bold reduction targets, especially given that they only aim towards limiting global warming below 2°C, which could still lead to the extinction of her island nation. All those players, all the slick presentations, and the even slicker responses—as if their tongues were like harpoons.

If, Mary thinks, we could get all the key decision-makers in the EU to pay a visit to Kiribati, would even that make a difference in the next few vital years for the climate?

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MR. VOGTS' QUEST FOR POLITICAL SUPPORT — RAW MATERIALS

Dieter Vogts is a senior executive for Cuprovo GmbH, a German company that processes copper for sale and use in Germany mainly in construction, electrical engineering and engineering. The bulk of the raw material comes from South America. The biggest producer of copper is Chile (producing 5.3 million tons in 2009), followed by Peru and the US, both with approximately 1.2 million tons of production in 2009. The world's biggest demand for copper comes from China, that used 6.8 million tons of copper and copper alloy in 2008, with demand in China expected to continue to rise.

This rising global demand and the very limited amount of copper producers has sent the price of copper skyrocketing, which Vogts and his senior management colleagues are very concerned about, not to mention the basic issue of Cuprovo having to compete for its supply with companies from other countries. Vogts therefore took on the responsibility to pursue solutions for this growing problem area, and got in touch with the industry association BDI (Bund Deutscher Industrie, Association of German Industry) to discuss what could be done about this.

BDI produced a position paper saying that political support is required to secure important raw materials as these are at the heart of German industrial production, Germany being a country with a general shortage of raw materials. They ask for this topic to be covered as a European topic and to continue the discussion with their Brussels representative BusinessEurope. Vogts takes this as a trigger to go on a trip to Brussels in order to support Cuprovo's cause and to meet some of the influential players and decision-makers involved in the raw materials issue.

1. Business Europe

PLACE: Offices of Business Europe, Avenue de Cortenbergh 168

Vogts' first port of call in Brussels is, then, with the much vaunted insiders Business Europe. On arriving at their office, however, a secretary is very apologetic, explaining that her colleague who was due to meet Vogts has been urgently called to Strasbourg for one of the European Parliament sittings.

Vogts, a very blunt character, immediately turns to go, barely concealing his anger—but, says the secretary, her colleague did prepare a dossier for Vogts, and hands it over. With a quick thanks, Vogts is off to the nearest cafe—he is still not amused.

Opening the Business Europe folder, there is the usual range of generic—mostly useless—paper material, but Vogts' attention is drawn to a press release of February 2011.

Business Europe warns the Commission that there is a great deal of market and trade distortion on international raw material markets, since many countries are restricting the export of raw materials or subsidising their import in order to secure their supply with raw materials and to help their own companies.

"Access to raw materials under fair conditions and at affordable prices is a vital issue for the competitiveness and future of European industry. Even at this early stage in the global recovery, raw materials prices are up 20 percent since last year, and market distortions are on the rise with at least 1,250 export restriction measures in place, including by China and Russia.

The publication of the 2011 Communication on Commodity Markets and Raw Materials Challenges should signal the start of a period of delivery of concrete results to ensure the proper functioning of global markets and security of supply for raw materials in Europe.

The EU should:

- *Forge an international consensus in support of undistorted trade in raw materials in the OECD, WTO and G20,*
- *Improve conditions for extraction of raw materials in Europe,*
- *Develop secondary materials markets in Europe,*
- *Stimulate innovation in substitution and resource efficiency.*

BUSINESS EUROPE Director General Philippe de Buck said: 'The security of our raw materials supply has become a key priority for European industry. Countries have the right to determine how they develop their natural resource industries, but should not intervene in markets to subsidise access to raw materials for their own industry. The EU strategy should be well coordinated and implemented rapidly'."

Business Europe is also pushing for a business friendly investment policy in third countries. It is pushing for the removal of conditions and regulations for foreign investment, the equal treatment of all foreign and domestic companies and unlimited repatriation of profits from foreign subsidiaries. "EU investment policy should aim to preserve and further promote an open and predictable investment environment by guaranteeing legal certainty and the best possible protection for European investments.

The most important goal for the EU should now be to push for access for and protection of its own investments abroad."

Below this, scrawled in handwritten text, Vogts makes out the following final notes:

Apols that I had to cancel the meeting with you—do give me a call next week if you would like to discuss these matters further.

Vogts is mildly appeased by what he has read. It should be a no-brainer, especially in the current recession, for the EU to pull out all the stops for EU business. In the back of his mind, though, he suspects that there will be some bureaucratic nonsense that is standing in the way of such a commonsensical goal. He resolves to test the water during his next call—at the Commission itself.

2. Directorate General for Internal Market and Services

PLACE: DG Internal Markets and Services, Rue de Spa, 2

Back in Germany, BDI had pointed Vogts to the important role being played by the Directorate General for Internal Market and Services, important since this branch of the European Commission is responsible for and leading on a new Communication entitled *"Tackling the Challenges in Commodity Markets and on Raw Materials"*. A first Raw Materials Initiative (RMI) was also published in 2008, at that time under the lead of the Commission for Industry. It took up many of the concerns currently troubling Vogts and his company: the EU identified the availability of cheap raw materials for European industry as a crucial question.

Vogts had delegated one of his junior staff to look into the reams of paperwork on this, but he had been dissatisfied with the conclusions—his colleague seemed to have been overawed by the volume and detail of the content. Fortunately, the Commission desk officer he meets, even to Vogts's exacting high standards, has got a reasonable grasp of the key issues. She gives Vogts a rundown of the RMI.

In order to avoid shortages in the supply of raw materials, the RMI builds on three pillars: 1) securing access to raw materials on world markets at undistorted conditions, mainly through trade and investment policy, 2) fostering sustainable supply of raw materials from European sources by improving framework conditions for mining in the EU, and 3) reducing the EU's consumption of primary raw materials, mainly through better recycling quotas.

Vogts explains to the desk officer that of these topics the first two are of paramount importance. One just has to think about the Chinese case where the government wanted to restrict the export of rare earths via trade barriers. This was an incredible distortion of the market with potentially extremely dangerous effects for western companies importing and processing the rare earths. China's main aim was to increase prices and force western companies to do the processing in China. It took a case at the WTO brought forward by the EU and the US to show China the limits of its power. Luckily the WTO ruled that China has to get rid of its restrictions on the trade of several raw materials. To avoid these kind of problems it is a very good approach of the EU to use its trade and investment power to help its companies. And on the second pillar, Vogts couldn't agree more: we actually have some raw materials in Europe but there are just way too many restrictions not to mention nature protection! This makes European industry so dependent on sources from elsewhere and if security of supply could have more of a bearing than nature protection, then this would help industry a great deal.

The desk officer mumbles some kind of agreement and gets on to aspects that are apparently closer to her heart. She explains that the 2011 Raw Materials Communication has two additional chapters beyond repeating the three pillars of the 2008 one. They have been added to tackle the problems of commodity markets and speculation.

These chapters analyse increasing global demand and financialisation as reasons for increased price volatility on commodity markets in recent years. The desk officer points out that the Commission believes that much more transparency of the markets is needed, and they want to secure better data collection and improved flows of information in order to prevent speculation and price volatility. They are even considering the introduction of position limits on commodity markets in order to limit speculation.

While Vogts is instinctively suspicious of any bureaucrat wanting to collect data from industry, he is also well aware of the effects speculation has on the price of copper or steel and how the big players such as Rio Tinto or BHP Biliton can use their next to monopoly position—he wonders whether the lady might not have a valid point here.

Anyway, before leaving he stresses again to the desk officer that "securing access at undistorted conditions" and "sustainable supply from European sources" are definitely the most important priorities for the Commission to focus on.

3. Non-governmental organisations

PLACE: Mundo B, Rue d'Edimbourg 26

While at the Commission, Vogts spotted an invitation to an NGO discussion on the Raw Materials Initiative. He was interested to note that the NGOs are obviously not holding back and targeting the Commission—maybe they're not just woolly tree-huggers after all, thinks Vogts. And the discussion is scheduled for this afternoon. He had been planning to sit with a few of those Belgian beers and catch up on emails during the free afternoon, but ... NGOs. Why the hell not? They may try to keep him out, but worth a try. He takes his tie off, and heads for the Mundo B office.

Getting inside the public meeting is a cinch—just sign your name and details here, says the guy on the meeting room door. The discussion is underway and the participants seem to be very critical about the RMI.

Environmental NGOs like Friends of the Earth Europe and BirdLife fear that the RMI will open the door for mining in protected areas and important initiatives such as Natura 2000 will lose out if raw materials found in protected areas are to be extracted. They demand that less consumption should be much more central to the

discussion as this would be an environment friendly way to tackle a potential lack of raw materials. Several worthy and rather shouty participants (thinks Vogts) go on and on about economic growth being the main problem and that politics should look more into the possibilities for and concepts of 'degrowth'.

A few weeks back Vogts watched a TV discussion programme on this crazy French-inspired 'degrowth' topic, so he can't resist jumping in with a calm voice to warn that this might send the economy into jeopardy, but there is a lot of shaking of heads around the room as Vogts speaks.

Representatives in the room from development NGOs raise the problem that countries exploiting raw materials often don't profit from these activities, at least not the broad population. They see this problem as endemic to the use of raw materials since there are high costs in terms of pollution of water, air and soil. Sometimes too there are resettlement issues where those who are resettled usually lose out and there are fewer jobs created in mining as are lost for agriculture. They are not persuaded that these problems can be addressed through improved transparency. Other development NGOs complain that the importance of export taxes in developing countries for the development of markets in the countries isn't acknowledged enough, making the RMI a document that is biased towards the interests of European companies.

Vogts ponders these views, deciding that it's best to keep his mouth shut. But isn't it fair enough for a paper from the European Commission to take into account the interests of European business? *The most extraordinary and odd views then come from a trade-focused NGO that complains about another aspect of the RMI and discussions around it. They moan that equal treatment for investors, for which Business Europe is fighting, is against the interests of developing countries that might want to protect their industries to help them develop.*

There's a small reception after the meeting concludes, but Vogts has had enough. Some days he's up for a good debate with what he calls "the deluded ones", but today 500 emails in his Inbox sounds far more appealing. On his way out, he runs into 'the other suit' from the meeting—a guy from the European Investment Bank who took a fair amount of flak from the NGOs. Stuff about apparently the EIB's alleged old-fashioned view on development and their lack of capacity to do the approval and monitoring of projects.

After a bit of small talk—it emerges that the EIB has previously helped finance an earlier project undertaken by Vogts' company—the pair decide to meet tomorrow morning, at the EIB's Brussels office.

4. European Investment Bank

PLACE: EIB office, Rue de la Loi 227

In amongst the previous night's emails, Vogts did some checking on the EIB's website, and was surprised, if not encouraged, to learn that the EU's bank also operates outside the EU.

With a bit of a spring in his step, he sets out from his hotel to the EIB office. The EIB guy looks much more assured on home turf and quickly launches into explaining to Vogts more about the EIB's work outside Europe and their activities in the raw materials sector, including investing in private equity funds.

With the glossy brochure in his hands, Vogts hears how the EIB actually has a long record in supporting mining projects in African, Caribbean and Pacific (ACP) countries, with EUR 650 million signed since the implementation of the Cotonou Agreement in 2003: roughly 11.9 percent of total EIB lending for ACP over the same period.

He hears how EIB mining projects are fully in line with EU development policies and with the EIB's mandates. Operations in the mining sector are usually prime projects for bringing value to indigenous natural resources, increasing export revenues and generating fiscal income for the country through royalties and corporate taxes. Moreover these projects create permanent—direct and indirect—jobs and provide training that contributes to local skills. This is the EIB's conviction.

Part of Vogts's research the night before threw up a highly controversial project supported by EIB in Zambia that has been much in the news of late: the Mopani copper mine has been in the spotlight press for alleged tax avoidance by the lead company Glencore as well as environmental problems. He inquires casually about this Glencore problem. The man from the EIB adroitly heads off much discussion on the case, merely pointing out that

to address the criticism the EIB will be conducting an independent investigation.

In fact, he continues, apart from some very critical NGOs (and the pair exchange a knowing look), there is little other criticism. The EIB recently held a seminar on sustainability in the mining area, where they discussed with industry, member states, the Commission and specialised NGOs (on a by-invitation-only basis) some of the mining projects they support.

On environmental issues the invited industry representatives emphasised the importance of good compliance, monitoring programmes, environmental management systems, water management, carbon footprint measurement and the use of electric trucks and renewable energy sources, to name but a few. Moreover, they underlined that it would have been extremely difficult, if not impossible, to raise the long-term project finance needed to build the mines, which often take more than ten years to develop.

Leaving the EIB office Vogts is surprised that besides an ambitious strategy the EU is actually putting its money where its mouth is. It actively finances mining projects abroad through its financial arm with special attention to the private sector. Following its principles of liberalised markets and free trade the EU contributes to the ongoing supply of raw materials of which European companies can directly benefit from. He will have to remember to tell this to his colleagues who are establishing the German Raw Materials Alliance, which wants to bring German companies back into concrete raw material projects around the world. Maybe there would be opportunities for cooperation?

5. European Parliament

PLACE: European Parliament, Rue Wiertz, 60

The EIB guy was also good enough to tip Vogts off about a highly relevant discussion on the Raw Materials Initiative taking place in the European Parliament this lunch time.

So Vogts hot foots it to the parliament, in good time to get through registration and to get a good seat at the event.

There's a wide-ranging discussion from all corners of the political map. Vogts hears, for example, a Left MEP suggesting that the RMI really is all about European big business accessing raw materials at the expense of the environment and indigenous people and that developing countries should have the right to impose export taxes on raw materials, although these are not the solution to all problems with raw materials. The answer would rather be democratic public ownership over these resources.

Some Social Democrats think there is the need to do more against speculation, as the price spikes in copper also show that the EU is vulnerable on this point. This results also from the market domination of too few companies in copper trading, for example.

Other than this, many of the speakers stress the importance of raw materials diplomacy and the combination of this with trade diplomacy and partnerships. These should increase access to raw materials as well as help the exporting countries in their development.

A Liberal explains that to secure European supply this is the moment to think about reopening mines in Europe. This is seconded by a Spanish Conservative: he complains that in his country almost 30 percent of the territory is under Natura 2000 protection, which is just too much. A Danish Conservative is very much concerned for European industry that needs rare earths. He stresses the importance of raw material diplomacy and points to the fact that Greenland has a big potential for rare earths which should be taken up in talks between the Commission and Greenland as the Chinese are already talking to Greenland about this. A Green MEP stresses that there have to be priorities: first, efficient use of resources, then see whether mining in EU is possible, and only as a last resort look for resources outside the EU, and what are the sustainable ways of dealing with them. In terms of better efficiency, he proposes to introduce an absolute and binding target for efficiency.

Much as he would like to pigeon-hole some of the Conservative speakers at the end of the meeting, Vogts doesn't reckon it would be such a good use of time. Besides, overall the trip has been very enlightening and he feels that the main thrust of opinion and activities at the European level is going in the right direction for Cuprovo GmbH.

There are different opinions, obviously, and some people (NGOs as well as MEPs) seem to think that the way the economy is organised should look completely different and they are very worried about developing countries. At the end of the day, though, it seems to Vogts that these kind of opinions are rather fringe ones and that they needn't be much cause for concern. He can't wait to get back to the boardroom tomorrow morning to pass on the promising news to the guys—he just needs to polish a few bullet points for them on the train home tonight.

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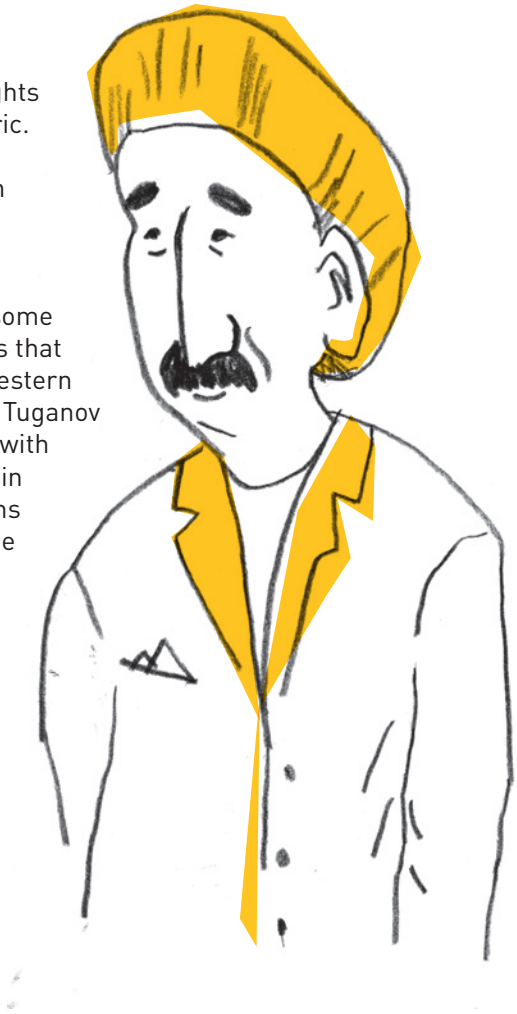
MR. TAGANOV SEEKS TO UNDERSTAND THE IMPLICATIONS OF EUROPEAN ENERGY SECURITY TO HIS COUNTRY — ENERGY

Suleyman Taganov is a Turkmen citizen concerned about the human rights situation in Turkmenistan. In recent years he and his fellow countrymen have become very aware about the Nabucco gas pipeline, a proposed 3900 km long pipeline from Turkey to Austria. While the pipeline is planned to start only in Turkey and would primarily transport Azeri gas from the Caspian Sea, it can be filled to full capacity only by using Turkmenistan's gas in addition.

Trying to make sense of the Nabucco project, and what it may mean for the people of Turkmenistan, is nigh on impossible for Taganov in his own country—obtaining information is difficult in itself, but obtaining reliable independent information is out of the question. On behalf of his local community, who have gathered together to pay for the trip, Taganov embarks on a visit to Brussels, thought to be one of the best places for gathering intelligence about the Nabucco pipeline—after all, the project is an integral part of the European Union's future energy plans.

The visit will also be a great opportunity for Tuganov to raise a number of concerns and issues related to everyday life and conditions in Turkmenistan as the EU strives to uphold human rights in its political rhetoric.

But where to start in the Brussels maze? A couple in the town had been in touch a few years ago with some environmental NGOs that had contacts with western NGOs, and via them Tuganov established contact with some groups based in Brussels. It all seems a bit like a shot in the dark, but Tuganov is determined not to disappoint and let down the people who have stumped up money for this trip.



1. Non-governmental organisations

PLACE: Mundo B, Rue d'Edimbourg 26

One of the NGOs was good enough to send someone to meet Suleyman Taganov at the airport. It's his first trip to Europe, and the first real chance for him to use his English that he's been learning with his teenage daughter. A meeting with three NGOs at the Mundo B building is his first port of call.

Taganov is soon shaking hands with NGO representatives from an organisation, which focuses on conflicts and conflict solutions; CEE Bankwatch Network, a network of environmental organisations focusing on international public development finance, and Crude Accountability, an environmental justice organisation focusing on the problems around oil exploitation especially in the countries of the former Soviet Union.

It emerges from their short introductions and presentations that these NGOs have differing views on the Nabucco pipeline. All three organisations do agree that the human rights situation in Turkmenistan is terrible and they are aware of the reports from the US Freedom House and Amnesty International that place Turkmenistan on the list of the worst of the worst alongside North Korea and Burma, describing also "widespread and systematic abuses" of human rights. They also all agree that the root cause of the situation is the seizure and mismanagement of hydrocarbon revenues by the governing elite.

Moreover, they agree that the EU, in its quest for 'energy security', is ready to compromise on human rights, quoting for example Javier Solana, the former EU High

Representative for the Common Foreign and Security Policy, who spoke in 2006 on EU external energy policy saying that the EU has to take its energy from wherever it finds it, adding that the EU's energy needs might well limit the EU's ability to push for wider foreign policy objectives, including conflict resolution, human rights and good governance. Thus the NGOs are united in viewing the goal of securing gas supply as the driving force behind the EU's engagement with the Turkmen regime.

However, on the Nabucco project specifically, their views differ. The organisation working on conflicts thinks that Nabucco is a chance for the Turkmen people if the EU, during the talks and negotiations about the project, insists on hydrocarbon revenue management as a priority area and encourages the Turkmen government to sign up to the Extractive Industries Transparency Initiative (EITI), an initiative aimed at ensuring more sustainable use of oil and gas revenues. Their rationale for this is that through EITI resource revenue management gets addressed and it provides a protected space for independent civil society groups to operate.

Both CEE Bankwatch Network and Crude Accountability are sceptical about this, stressing that Turkmenistan's budget is already highly dependent on the hydrocarbon sector, effectively making gas exports a matter of life and death for the regime.

Bankwatch questions the benefits to Turkmenistan of joining the EITI, as it won't work under the given circumstances. One of the criteria for implementation of the EITI, for example, is that civil society is actively engaged as participants in the design, monitoring and evaluation of the revenue monitoring process and contributes to the public debate. This is basically impossible right now since civil society is controlled and oppressed, and if the Turkmen government were simply to join the EITI this would not change.

Bankwatch also points to the broader issue of energy security, in particular that energy efficiency measures (insulation, glazing and more efficient lighting) are a more promising and better way towards achieving energy security than building an expensive pipeline. Bankwatch believes that construction of the pipeline and signing gas contracts with Turkmenistan will make the EU dependent on the supplier, actually depriving it of any leverage over the regime, despite EU claims to the contrary.

Crude Accountability supports this view and has put forward some very concrete demands, for example that an environmental impact assessment (EIA) for Nabucco must include an EIA of all supply countries, like Turkmenistan, and that it needs to include the Caspian Sea as well, since there will be a need for a pipeline through the Caspian to pump the Kazakh and Turkmen gas into Nabucco, creating additional environmental and social problems.

Taganov takes lots of notes, and is generally impressed by the groups' grasp of the issues and the realities in Turkmenistan. The NGOs propose that he should seek meetings with representatives of the EU Directorate General for Energy, the European Parliament, the Nabucco consortium and the public banks that might help to finance the pipeline. They say that they will do their best to organise appointments for him starting tomorrow. Taganov is very grateful—some rest at the hotel for the remainder of the day is just what he needs.

Mr. Taganov seeks to understand the implications of European energy security to his country—Energy

2. DG Energy

PLACE: DG Energy, Rue de Mot, 24

Rising early the next morning, Taganov finds various emails with appointment confirmations. He is amazed at the speed with which things have been arranged. After a strange, huge breakfast, he sets out for the first appointment at the European Commission's Energy office. He recalls the recent visits to Turkmenistan of the EU's Energy Commissioner Oettinger in April 2010 and again in February 2011, where it was widely reported that EU-Turkmen relations are as good as never before.

Taganov soon finds himself in the office of a representative of the Energy Commission—the air conditioning brings a strange kind of freshness, and the coffee on offer tastes like it was harvested just this morning, but could be stronger.

The representative kicks off by explaining the importance for Europe of becoming independent of Russian gas that comprised 34 percent of EU gas imports in 2009. In order to address broader energy questions, in November 2010 the Commission adopted the Communication "Energy 2020— A strategy for competitive, sustainable and secure energy" in which it defines the energy priorities for the next ten years and sets the actions to be taken in order to tackle the challenges of saving energy, achieving a market with competitive prizes and secure supplies, boosting technological leadership, and effectively negotiating with international partners.

What does this really mean, thinks Taganov. The representative, a fairly junior women in Taganov's estimation, wastes no time in rattling off a list of rather alien sounding concepts.

The new EU energy strategy focuses on five priorities: 1. Achieving an energy efficient Europe. 2. Building a truly pan-European integrated energy market. 3. Empowering consumers and achieving the highest level of safety and security. 4. Extending Europe's leadership in energy technology and innovation. 5. Strengthening the external dimension of the EU energy market.

OK, thinks Taganov aloud, but where does the Nabucco pipeline fit in all of this? *The DG Energy representative explains that it is covered within the fifth priority, which this time* she reads out from notes in front of her: "Proposals will also be made to set the required regulatory framework between the EU and third countries to develop strategic routes from new suppliers, notably around the Southern corridor and the Southern Mediterranean. Supply issues, including network development and possibly grouped supply arrangements as well as regulatory aspects, notably concerning the freedom of transit and investment security, would be covered."

Does this mean that the Nabucco pipeline is an EU priority, inquires a slightly puzzled Taganov. Yes, responds the representative. And what about Turkmenistan's role in all of this? The representative responds that all options are open, but that she is not well enough informed to really say much more. Taganov takes this as a signal to conclude the meeting, but thinks it would be worthwhile to get a copy of this Energy 2020 Communication. The representative is happy to oblige and prints him a copy.

Taganov doesn't quite know what to think of his first Brussels meeting, but he rather hopes he'll be able to engage more meaningfully in the rest of the appointments. Surely the NGOs will have fixed meetings with some people who actually know a bit about Turkmenistan. The famous European Parliament is next on his agenda.

3. European Parliament

PLACE: European Parliament, Rue Wiertz, 60

With the prospect of a meeting with an MEP, Taganov is curious to hear their take on the EU's Interim Trade Agreement with Turkmenistan that was ratified in April 2009 by the European Parliament. What does this mean for the European Parliament, and more importantly, for the people of Turkmenistan? This agreement opened

the way for closer cooperation between the EU and Turkmenistan and had previously been delayed for years due to human rights concerns. Taganov wonders why the European Parliament gave in on its earlier demands concerning human rights.

The environment in the MEP's office is not unlike that in the Commission, but Taganov is eager to hear from this elected person.

The MEP explains that the European Parliament found that the situation in Turkmenistan has improved since the change of president and that they appreciate the regime indicating its willingness to carry out major reforms. However, they have also made it clear that "substantive progress is still needed in several key areas, such as human rights, the rule of law, democracy and individual freedoms ...". Unfortunately, the EU foreign ministers accepted the Interim Trade Agreement in July 2009 without reference to human rights, ignoring calls from the parliament.

The MEP has to admit that something similar happened when Energy Commissioner Oettinger visited Ashgabat to discuss gas supply to Europe, where he didn't include human rights in the agenda despite a call from the chairwoman of the Subcommittee on Human Rights to include this into the discussion. Taganov learns that there is another agreement with Turkmenistan—the Partnership and Cooperation Agreement, that will further deepen relations between the two. It was adopted by a Parliament Committee but is now awaiting legal clarifications from the Council.

Taganov feels it necessary to inform the MEP that he doesn't share her positive opinion on the changes in Turkmenistan under the new president. Some economic reforms were made, mainly to improve conditions for foreign investments in the country, but the situation is similar to the situation in China: the changes were not followed by political reforms, better observance of human rights or greater transparency in managing gas and oil revenues. And the new president has started his own personality cult, much like that of the old president.

The MEP appears to think over Taganov's concerns. He is invited to a gathering in the parliament later in the week, but unfortunately he will be flying back home then. The MEP suggests that they stay in touch, and hands over a business card.

4. European Investment Bank

PLACE: EIB office, Rue de la Loi 227

In Taganov's previous discussions in Brussels he heard a few times that a good portion of the money for the Nabucco pipeline might be coming from public banks such as the European Bank for Reconstruction and Development (EBRD) and the European Investment Bank (EIB). The NGOs—at the last minute—managed to fix up a meeting for Taganov with the EIB, in order, hopefully, to obtain more background information on the EIB's potential role in financing Nabucco.

After all, isn't it now clear that the EIB, together with the World Bank group, might lend together around EUR 4 billion for the pipeline (with the EBRD potentially set to lend an additional EUR 600 million). With official total cost estimates for the project standing at EUR 8 billion (unofficial estimates go as high as EUR 15 billion), this is still only a small portion, but given that public money is always considered as security in projects, and that the participation of the international financial institutions gives a rubber stamp to projects, Taganov reckons that their potential participation is very important.

The EIB representative seems pleasant to Taganov, and is eager to discuss the issues. He hands Taganov a press release from September 2010 that describes how the EBRD, the EIB and the World Bank's International Finance Corporation (IFC) signed a mandate letter with the shareholders of Nabucco and NABUCCO Gas Pipeline International GmbH. This was the starting point for the appraisal process of the project that has to precede a potential financing package of up to EUR 4 billion in total from all three institutions.

The EIB representative continues by saying that the early involvement of the international financial institutions will support the Nabucco project in meeting the highest standards in environmental and social risk evaluation and procurement. The appraisal of the project will include a thorough assessment of commercial, social and environmental aspects. He stresses to Taganov the importance of the Nabucco gas pipeline project in addressing the EU's priority goal of achieving energy security via the diversification of gas routes and gas supplies, and that

Nabucco will deliver additional volumes of gas from different sources through a new supply route to the EU member states and their neighbours. For the EIB, a bank driven by European policy, it is important to support the achievement of EU policy goals.

When this basic introduction is over, Taganov is curious to know whether or not the EIB considers a major infrastructure project like Nabucco to be quite risky in terms of cost overruns. The representative replies that as a bank financing big infrastructure projects, the EIB is quite used to hefty cost-overruns and doesn't take the promoter's numbers for granted. At the same time though, he assures Taganov, the bank's thorough economic due diligence will address this issue.

Taganov then wants to know whether the EIB will use its high environmental and social risk standards also for assessing the countries from where the gas will come, such as Turkmenistan. It's a relevant question, replies the EIB man, but since they don't have a concrete project with all the gas suppliers in front of them, they cannot really commit to assess everything that might come up—and the EIB does want to wait for a concrete document.

Taganov is quite taken aback by this since it seems so obvious to everyone that gas has to come from outside Turkey even if Nabucco only starts there, and he reminds the EIB representative of the case of the Baku-Tbilisi-Ceyhan Pipeline, where the environmental impact assessment didn't include the Caspian Sea although it was clear that Azeri oil alone wouldn't be enough to fill the BTC pipeline. This is in fact a reality now: Kazakh and Turkmen oil is being shipped to Baku by tankers. The EIB man points out that the bank was not involved in the financing of BTC and can't really say more on the assessment of broader suppliers.

Taganov refuses to back down and reminds the representative that it is important not to repeat the mistakes of the past, and that it is critical to be fully transparent about all the planned agreements for the Nabucco pipeline. For instance, a key document between the Azeri and Kazakh governments regarding the BTC project was signed prior to the completion of the pipeline, and was never included in the considerations of the full environmental and social impacts of the project. This should not happen again. Absolutely, agrees the EIB representative, who suggests that they conclude and thanks Taganov for his input. The EIB does like to hear from the public—and Taganov's comments will be passed on.

That wasn't particularly enlightening, thinks Taganov in the lift down. Nor is he overly optimistic about his next appointment: several people proposed that he should try and meet a representative of the Nabucco Gas Pipeline International GmbH (NIC) that was set up to develop, construct and operate the pipeline, and the company has agreed to meet with Taganov.

5. Consortium

PLACE: Office of RWE, Rue d'Italie 9–13

The Nabucco shareholders are: Bulgarian Energy Holding (Bulgaria), Botas (Turkey), MOL (Hungary), OMV (Austria), RWE (Germany) and Transgaz (Romania). Each shareholder holds an equal share of 16.67 percent. The shareholders are responsible for negotiating the gas supply contracts.

It's actually a representative of the energy utility RWE who greets Taganov at the office reception. He explains that the development of the Nabucco gas pipeline is intended to open up new markets in Europe and Turkey for the countries of the Caspian region such as Azerbaijan and Turkmenistan, and the Middle East, which have the world's largest natural gas deposits.

Nabucco would be a win-win project for these countries and the EU, contends the RWE man, since it would make a significant contribution toward ensuring the EU's security of supply. The Turkmen government has pledged to deliver ten billion m3 of gas per year to the EU.

Taganov is getting rather irritated by all these well-dressed westerners triumphantly quoting big, impressive figures, and so he asks the man what he thinks *about the situation in Turkmenistan, which among other things is currently ranked by Transparency International as among the ten most corrupt countries in the world.* The RWE man is not too forthcoming on this topic, and explains that in terms of Turkmen-EU gas supply no contracts have been signed so far. However, RWE is pleased that they may be able to secure some important licences for gas exploration in Turkmenistan.

Taganov continues to question the RWE representative about the human rights situation in the country. The latter acknowledges that there are problems, but points out that Turkmen citizens may be happy if gas is bought by the EU rather than the Chinese or Russians who are both competing with the Europeans for gas contracts: the Europeans really care about human rights issues, while the Chinese or Russians do not.

6. Journalist

PLACE: bar close to Residence Palace, International Press Center, Rue de la Loi 155

"Europeans really care about human rights issues" ...

Later in the day, Taganov is reflecting on this comment from the Nabucco meeting in a bar near the parliament. He reckons his rather striking central Asian features are why so many people are checking him out, but one guy sitting next to him is very courteous and also inquisitive.

He turns out to be a journalist from one of the international papers that has a big office in Brussels. He's a good listener, and gets Taganov's story from him. The journalist has a thought—why doesn't he phone up one of his colleagues who has been looking into the Nabucco project? He's sure that Taganov's perspective will be of great interest to his colleague. Taganov is happy to share his views, and sure enough the other journalist arrives within 20 minutes and buys Taganov a drink.

This journalist is less of a listener, and has a lot of theories and ideas, thinks Taganov—this could be interesting.

The journalist isn't sure whether Nabucco will be realised, as he sees three main risks:

1) It is unclear whether the potential gas suppliers really want to sell gas. Azerbaijan, as one of the key players, has the possibility to sell its gas to other buyers too. Moreover, the political situation in the region is very unstable with Caspian countries fighting over access to resources in the Caspian Sea, which might play badly in terms of the security of supply to the pipeline. In Turkmenistan the EU is also competing with Russia and China for access to gas.

2) Russia is doing everything it can to remain the most important supplier to the EU. This includes pushing forward the South Stream project that should bring Russian gas from Russia straight to Bulgaria and further to Austria. South Stream could take Azeri gas as well. Thus both projects are in competition with each other, and European companies are competing with each other in both projects: OMV, RWE, MOL, Transgaz, Botas and BEH in Nabucco, and German Wintershall, Italian Eni, French EDF as well as several southern European companies in South Stream.

3) It is unclear whether the extremely expensive Nabucco project will be economically feasible in the longer term. This will depend on the costs of construction, which continue to rise even before the preparations have been made concrete. The 3900 kilometre length of the pipeline and the many countries it will cross pose extreme logistical challenges that might be difficult to tackle. This is even more important in light of whether or not the pipeline will be used to full capacity, which some people have big doubts about, and also concerning the supply of gas, as the demand on the EU side might not need as much gas as the consortium calculates given decisions to improve energy efficiency and other emerging plans to explore shale gas reserves. There may also be easier and cheaper ways of getting gas through shorter pipelines from Turkey to Italy.

Taganov finds this fascinating, though as the night wears on and the journalist consumes more beer, some of this theories become more exotic—weird, gossipy stuff, thinks Taganov, about personalities in the commission and the parliament.

On his way home that night, Taganov is reasonably content with what he has seen and heard on this trip, principally that this Nabucco pipeline is no done deal yet. One thing is clear, though: while the EU talks a lot about human rights, it doesn't necessarily 'walk the talk' when it comes to the issue of energy security, where it seems very ready to compromise on human rights with certain suppliers of energy resources.

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ADDRESSES

1. Mundo-B

In Mundo-B different Brussels based NGOs have created a sustainable working environment. The ecologically renovated building houses the offices of over 40 organisations as well as a conference centre, an organic cafe, a didactic nature garden, etc. It's a meeting place for organisations and activists who visit Brussels.

Rue d'Edimbourg 26, 1050 Brussels

2. Rue d'Idalie 9—13 (RWE)

Rue d'Idalie is packed with office complexes. This strategic location close to the heart of the European Quarter is attractive to lobby organisations or companies that want to defend their interests at the European level. RWE, a German electric power and natural gas public utility, occupies one of the offices. The same building houses the public affairs consultancies Logos and EPACA, among others.

Rue d'Idalie 9—13, 1050 Brussels

3. Place du Luxembourg

This newly renovated square is a favourite lunch and cocktail venue for eurocrats and lobbyists alike. Brussels has the highest number of restaurants per head in Europe, which has everything to do with the lunch-meeting culture of the EU institutions.

4. European Parliament

The democratic heart of the EU lies most of the time in the Rue Wiertz but once a month it moves to Strasbourg in France for its plenary sessions. The 754 MEPs (Members of European Parliament) have their own offices and work here in different committees. The building also serves as a location for conferences, workshops, presentations and other public events.

Rue Wiertz, 60, 1047 Brussels

5. Residence Palace (International Press Centre)

This former luxury apartment building is now primarily used for press conferences and public relations events organised by lobby groups, think tanks and NGOs in the International Press Centre on the ground floor. Many media organisations have their office in the building.

Rue de la loi 155, 1040 Brussels

6. Berlaymont Building (European Commission)

The new European Commission headquarters are located here. The 13-floor X-shaped sky-scraper, nicknamed the 'Berlay-monstre', re-opened in the autumn of 2004 after 13 years of asbestos-related renovation and major rebuilding. At the top of the glass-covered tower, overlooking Brussels, is the new meeting room of the 25 European Commissioners, led by president José Manuel Durão Barroso. The 2,200 office rooms in the building house the 25 Commissioners, their cabinets and supporting staff, totalling some 3,000 people. The rest of the total 18,000 Commission staff are based in the buildings of the Directorates-General that are spread across the EU quarter.

Rue de la loi 200, 1040 Bruxelles

7. Justius Lipsius (European Council)

This plump, fortress-like building houses the secretariat of the European Council, with a staff of 2,400 people. Although the building covers some 240,000 square metres of floor space, it is being expanded again to accommodate the delegations of the growing number of EU member states and the bi-annual EU Summits which take place here, as of 2004. Justus Lipsius is also used for most Council sessions and for meetings of the many committees composed of technical experts and diplomats from the EU member states.

Rue de la Loi 175, 1050 Brussels

8. Brussels office of the European Investment Bank

The EIB's headquarters are based in Luxembourg where it accommodates the majority of its staff in a transparent glass building. But as the financial arm of the EU the bank cannot be absent from Brussels, it occupies a smaller office very close to the Shuman roundabout near other official EU buildings.

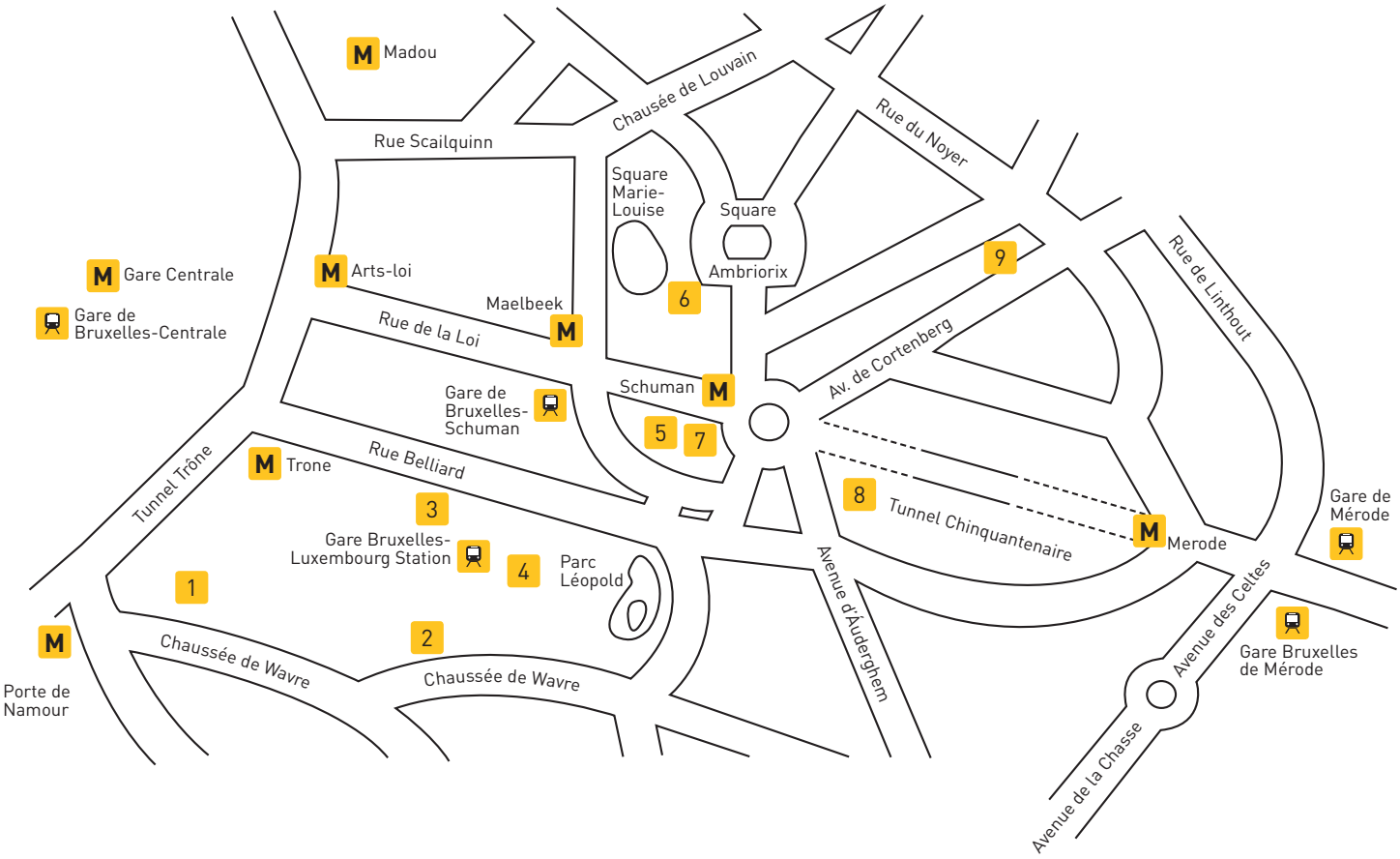
Rue de la Loi 227, 1040 Brussels

9. Avenue de Cortenbergh 168 (Business Europe)

The 8-floor building on the corner of Rue Fulton is the headquarters of Business Europe, the main horizontal business organisation at EU level with 41 member organisations. Most of the organisations in the building such as the European employers' federation, UNICE and the corporate lobby coalition European Services Forum (ESF) have the same aim of furthering the interests of European business and corporations.

Avenue de Cortenbergh 168, 1000 Brussel

SOURCES: Corporate Europe Observatory, "Lobby planet—Brussels the EU quarter" 2005


Madou
Rue Scailquinn
Chausée de Louvain
Rue du Noyer
Square Marie-Louise
Square
Ambriorix
Gare Centrale
Gare de Bruxelles-Centrale
Arts-loi
Maelbeek
Rue de la Loi
Schuman
Av. de Cortenberg
Rue de Linthout
Gare de Bruxelles-Schuman
Tunnel Trône
Trone
Rue Belliard
Tunnel Chinquantenaire
Merode
Gare de Mérode
Gare Bruxelles-Luxembourg Station
Parc Léopold
Avenue d'Auderghem
Avenue des Celtes
Gare Bruxelles de Mérode
Porte de Namour
Chaussée de Wavre
Chaussée de Wavre
Avenue de la Chasse
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The mission of "Counter Balance: Challenging the EIB" is to make the European Investment Bank an open and progressive institution delivering on EU development goals and promoting sustainable development to empower people affected by its work.

The Counter Balance coalition consists of the following NGOs: CEE Bankwatch Network (Central and Eastern Europe), Les Amis de la Terre (France), urgewald (Germany), Re:Common (Italy), Both Ends (Netherlands), Bretton Woods Project (United Kingdom).

Counter Balance Challenging the European Investment Bank