NGO Position Paper

Four reasons to keep public money away from Nabucco

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CEE bankwatch network

CEE Bankwatch Network's mission is to prevent the environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

The Nabucco pipeline project, named after the opera of Giuseppe Verdi, is a more than 10 years old idea to bring Caspian or Middle Eastern gas through Turkey to the EU. Its planned route is 3300 kilometres long, making it one of the longest pipelines outside of Russia, envisaged to go through Turkey, Bulgaria, Romania and Hungary to Austria. The estimated cost of construction is almost 8 billion euros and the planned final capacity is 31 billion cubic metres. In January 2009 the president of the European Investment Bank (EIB) declared that the bank may finance up to 1/4 of the construction expenses[1].

Among the main promoters of the project there are the European Commission (EC) and several EU member states. The main justifications for Nabucco are its important role in ensuring energy security and fighting climate change. We find that the Nabucco pipeline has a weak chance of solving any of these problems. Besides, it brings limited public benefits and serious social and environmental concerns. Here are our four reasons for not providing public funds for this project.

1. Do not contradict the EU's policy of human rights' promotion

For many years the Nabucco project has faced problems with guaranteeing sufficient gas supplies. The only country offering enough gas is Turkmenistan, one of the most authoritarian regimes in the world (in a recent Freedom House survey, Turkmenistan received the same score as North Korea). The recent imprisonment of Turkmen environmentalist Andrey Zatoka, who was subsequently realised for a fine and expulsed from the country, proves that the situation in the country is still critical. As the EU recognises Nabucco as its priority project and the EIB is considering financing it, we request that you take into account the serious human rights violations occurring in Turkmenistan, as exemplified by Mr. Zatoka’s case. Mr. Zatoka is one of numerous political prisoners in Turkmenistan. Many others continue to sit in Turkmen prisons without relevant legal protection. While considering the possible cooperation with Turkmenistan within the EU‘s energy sector, the Member States should ensure that it does not undermine their own efforts to improve human rights standards and build democracy.

[1] This sum is two times bigger than all the EIB investments in renewable energy yearly in last years.

The absence of pluralism in Turkmenistan and Azerbaijan (another potential supplier of gas for Nabucco) makes public oversight over gas and oil revenues impossible. Furthermore, money from the extractive industries provides the governments with additional power to frustrate – if not crush – the bottom-up struggle for democracy.

2. Do not support fossil fuels addiction

Nabucco is often described as a means to decrease the greenhouse gas emissions of the EU. This argument is valid only in relation to the general belief that gas is not as bad as coal. If Nabucco reaches its full capacity, in the 2020s, it will import to Europe 31 billion cubic metres of natural gas per year. This means that in the combustion process approximately 60 million tonnes of additional CO2 will be emitted in Europe per year. This is more than half of Romania's CO2 yearly emissions in 2007 from all sectors. On top of that, methane – the principal component of natural gas – has 25 times higher greenhouse effect potential than CO2. During extraction and transportation a few percent of natural gas leaks into the atmosphere. In this sense, natural gas cannot be seen as a low-carbon alternative.

Furthermore there is no proof that gas will replace dirtier energy sources. On top of that no life-cycle analysis of gas from Nabucco has been conducted. It remains unclear how much CO2 will be emitted to generate the energy needed to pump gas the distance of more than 4000 km from Turkmenistan to Austria. Support for large-scale gas infrastructure projects is rather inconsistent as regards the ambitious EU climate targets and raises the question of the integrity of EU policies ahead of the extremely important climate summit in Copenhagen in December 2009.

3. Bet on energy efficiency that brings real energy security

According to the calculations of Central European University in Budapest, the potential of cost-effective savings only in buildings may reduce the gross natural gas consumption by 16 percent. This is equal to 2-2.5 billions cubic metres per year – approximately the amount of gas envisaged for Hungary from Nabucco. The concentration of public funds and political support on large scale fossil fuel projects such as Nabucco distracts attention needed for adressing questions such as energy security and renewables. This is exemplified by the fact that in the Hungarian parliament a special committee on Nabucco has been established, while hardly anyone speaks about energy efficiency.

The often raised arguments that Nabucco will guarantee stable gas supplies to Europe are contradicted by serious indications that proposed sources of supply may not be untrustworthy. The undemocratic political systems and lack of rule of law in the potential supply countries, such as Turkmenistan and Azerbaijan, make long term contracts with them unreliable. This has been proved many times in the energy cooperation of these countries and Russia. On top of that, transportation of gas for Nabucco near conflict regions in the Southern Caucasus (in Azerbaijan and Georgia) makes a lasting stability of supplies even more doubtful.

If the EU is serius about its energy and climate targets the switch from the public finnacing of fossil fuels towards green investments needs to take place now. The various cost estimations of the investments needed across the EU range from EUR 13 billion at the low end (estimated by the European Commission) up to EUR 44 billion (estimated by the Dutch consultancy Ecofys) to be invested into energy infrastructure by 2020 on an annual basis.

4. Invest in technologies benefiting local people

Contrary to big fossil fuels investments, concentration on energy efficiency will not only contribute to energy security and emission reductions, but also can reap numerous ancillary benefits ("double dividend") for social cohesion and economic development such as reducing energy bills for households and providing new employment and business opportunities, especially in the sector of small and medium enterprises.

Previous experience with large-scale politically motivated fossil fuel investments such as the Chad-Cameroon pipeline (financed by the World Bank Group and the EIB)[2] and Baku-Tbilisi-Ceyhan pipeline (World Bank group and European Bank of Reconstruction and Development)[3] has shown that the engagement of international financial institutions does not guarantee benefits for local people. This development model strengthens mainly multi-national oil companies and undemocratic governments.

Recommendations to the EU institutions

- Ensure that public support for Nabucco will not ultimately benefit the governments of the most authoritarian regimes in the world at the expense of citizens.
- Ensure that, while assessing the project, the EIB will consult civil society representatives no less intensively than it is currently engaged in a dialogue with project promoters.
- Conduct a detailed political risk assessment for the whole project and make it public.

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[2] Beyond the pale: Myths and realities about the BTC development model, CEE Bankwatch Network, 2006, http://bankwatch.orgrg/documents/BTC_development_model.pdf

[3] The Chad-Cameroon Oil & Pipeline Project. A PROJECT NON-COMPLETION REPORT, Environmental Defense, Center for Environment and Development, Chadian Association for the Promotion and Defense of Human Rights, 2007, http://www.edf.org/documents/6282_ChadCameroon-Non-Completion.pdf

- Organise a climate assessment of the project as a whole (together with correlated facilities in the EU and outside of its borders).
- Analyse a so called “zero alternative”, assuming that Nabucco is not built. In its framework alternative ways for providing energy security through energy efficiency should be assessed.

The above-mentioned procedures may only be conducted for the whole pipeline and can not be delivered in the Environmental Impact Assessment procedure organized separately for each of the countries. Thus, responsibility for it lies in the EU bodies – the European Commission and the European Investment Bank, both supervised by European Parliament.

The European Commission and the European Investment Bank are responsible for ensuring that EU policies and principles are not undermined by this project. What is more they need to make sure that the project promoter makes an open and participatory assessment of all these critical aspects to ensure that public money are spent for public benefits

The European Parliament (EP) has a key role in supervising other EU institutions so that they act in compliance with EU standards and policies. The EP has an oversight role over EU budget and the EIB lending (especially in regard to lending outside the EU). We ask the EP to take into account public environmental, social and economic concern and conduct due diligence of those. We especially would like to focus EP attention on the human rights issues involved in Nabucco project and we hope that the EP, who has praiseworthy history of defending human rights, will once more express disagreement with political decisions that might strengthen totalitarian regimes.

For more information

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