

28 January 2016

Werner Hoyer

President of the Management Committee, Chairman of the Board of Directors
European Investment Bank
100, boulevard Konrad Adenauer
L-2950 Luxembourg

Object: The EIB should not finance the Southern Gas Corridor

Dear President of the European Investment Bank,

On behalf of a group of 27 NGOs, we are sending you this letter to express our concerns about the Southern Gas Corridor and to urge the EIB not to finance any section of this project.

The EIB is currently considering making [the biggest loan of its history](#) (EUR 2 billion) to the Consortium in charge of developing the western section of the corridor, the Trans-Adriatic Pipeline (TAP). In addition, [Bloomberg](#) has recently reported that the bank is part of preliminary talks with other multinational institutions for another EUR 2 billion loan to the Turkish state company Botas for the construction of the TANAP, the Turkish section of the Southern Gas Corridor. This comes as no surprise since in February 2015, during the annual meeting between civil society and the EIB Board of Directors, the EIB revealed that the TAP was among its [priority projects for 2015](#) in the Balkans.

We urge the EIB not to finance this project for the following reasons:

1/ During the COP21 in Paris, the EIB made [numerous announcements](#) about its commitment to tackle the climate crisis and portrayed itself as a leader on climate issues. But if the Southern Gas Corridor does materialize and ends up pumping more gas into Europe, the chances of meeting the EU's climate and energy targets for 2030 and its longer term decarbonisation objectives, would hardly be attainable. As a matter of policy coherence, supporting such project would be detrimental to try and cap global warming at 1.5c as agreed in Paris. Finally, a growing number of studies, including assessments from the International Energy Agency, now show that the vast majority of the recoverable fossil fuel reserves must be left in the ground if we are to stand any chance of averting catastrophic climate change.

2/ Europe simply does not need extra gas. After a drop in European gas demand since a decade, the Commission's own projections foresee a decline in gas imports over the next 35 years. The EU's Energy Roadmap 2050 shows that long term decarbonisation would alleviate Europe's dependence on energy imports. But if gas demand indeed continues to fall, this would also mean that the Southern Gas Corridor's pipeline system is not used to full capacity. In turn, this project risks becoming uneconomic and eventually turning into a liability – a stranded asset which will ultimately be paid for by taxpayers, gas consumers and those living along the route of the pipeline.

3/ The Southern Gas Corridor is not an alternative to Russia for gas supply. It is actually the Russian energy giant Lukoil - a member of the TAP consortium - that is controlling the tap of the Shah Deniz gas field in Azerbaijan, the source of the Southern Gas Corridor. Then, there is limited scope for reducing overall European dependence on Russian gas before the mid-2020s, due to contractual obligations to import Russian gas in the next decade. The real need is to decarbonise energy supplies: European decision-makers need to decrease dependency on the overall import of gas, an idea that has not been given nearly enough attention. The good news is that energy efficiency and decarbonisation offer an opportunity to do just that, while building a new pipeline will not address the energy security challenge.

4/ The EU would be tying itself for decades to one of the most undesirable partners in the European surroundings: Azerbaijan. Europe will source much of its future fossil fuel energy from the country's vast gas resources. The country is ruled by the Aliyev regime which has built its power on exploiting Azerbaijan's oil and gas riches. The human rights record of the regime is desperate, and since 2013 the country has been subject to one of the harshest waves of repression ever recorded. The arrests and jailings of journalists, lawyers, civil society representatives and opposition leaders drew the attention of the European Parliament, the Council of Europe and the Organization for Security and Cooperation in Europe (OSCE). In September 2015, the European Parliament adopted a [resolution](#) calling for the suspension of every kind of funding by the EU to the Azeri government. It is in this context that the EIB has awarded its [first loan ever](#) to Azerbaijan in 2014 and is now considering funding the Southern Gas Corridor. This stands in contradiction to the EU Charter of Fundamental Rights which binds the EIB not to finance projects that would encourage or support human rights violations.

5/ Together with the human rights situation in Azerbaijan, the Southern Gas Corridor has other shady sides. For example, the consortium of companies that promote the TAP is registered in the Swiss city of Baar, a renowned tax haven. This casts doubts on its fiscal accountability and the relevance for the EU Bank to award its biggest loan to such company while the EU is promoting the fight against tax havens. Such decision would also run counter to the spirit of the Non Cooperative Jurisdictions policy of the EIB and the bank's commitment to "maintaining a stringent policy against tax fraud, tax evasion and harmful tax practices". Finally, a recent report from [Swiss media](#) also acknowledges for the financial fragility of the TAP Consortium¹.

6/ Moreover, many issues arose during the authorization process for the Italian section of TAP. A loud protest by the residents and the local authorities of the province of Lecce, on the pipeline's route, denounced the lack of transparency of the procedures that led to the full approval of the project by the Italian government. There are 58 prescriptions that the project proponent has to implement and have not been fulfilled yet according to the Environmental Impact Assessment temporarily approved by the government. Issues related to safety and exposure to industrial risks are among the concerns of residents and authorities still to be addressed.

For all reasons stated above, the Southern Gas Corridor is one of the biggest and most controversial infrastructure projects that have ever seen the light in Europe. This massive financial investment entails serious environmental and geopolitical risks and is likely to become the European equivalent of the Keystone XL pipeline. Therefore, we call for no public money to go to the Southern Gas Corridor.

As an EU institution, the EIB is morally and legally obliged to guarantee that all its projects respect the human rights and climate principles it has committed to. As President of the EU bank, you should then take on full responsibility and recognize all the implications attached to the loan. The Southern Gas Corridor would absorb an incredible amount of financial resources of the European Union and it would clearly stand out as one of its flagship projects, delivering to the world the message that the EU is virtually supporting corrupt regimes and ignoring climate considerations. The geopolitical significance of the EIB's actions inside and outside of Europe cannot be underestimated, especially when human lives and freedoms are at stake.

We look forward to working with you to ensure that the EIB operates in an accountable and responsible manner, and fully contributes to a sustainable future for all people. Thank you for your consideration.

Yours sincerely,

¹ Members of the TAP consortium are all limited liability companies expert in energy trading: BP gas marketing Ltd (20%), AzTAP GmbH, linked to SOCAR (20%), Snam S.p.A. (20%), Fluxys Europe B.V. (19%), Enagas Internacional S.L.U (16%) and Axpo Trading AG (5%)

List of signatories:

ACT Alliance EU

Les Amis de la Terre (France)

ATTAC France

Both Ends (Netherlands)

CEE Bankwatch Network

CIDSE

CNCD-11.11.11 (Belgium)

Comitato No TAP (Italy)

Counter Balance

EKOenergy (Finland)

Estonian Green Movement

Focus (Slovenia)

Food & Water Watch

Foundation Development Yes Open-Pit Mines NO (Poland)

Friends of the Earth Europe

Green Budget Europe

Green Istria (Croatia)

International Partnership for Human Rights (IPHR)

Latvian Green Movement

Observatori del Deute en la Globalització (Catalonia)

One Degree Serbia

Platform London (United Kingdom)

Polish Green Network

ReAzione (Italy)

Re:Common (Italy)

Tramontana (Italy)

Urgewald