



NABUCCO AND **TURKMENISTAN**

Our energy security, Turkmen's misery

NABUCCO AND TURKMENISTAN

Our energy security, Turkmens' misery

□ Introduction

The Nabucco pipeline project, named after the opera of Giuseppe Verdi, is an almost 10 year old idea to bring Caspian or Middle Eastern gas through Turkey to the European Union. Its planned route is 3300 kilometres long, making it one of the longest pipelines outside of Russia, and it is envisaged to go through Turkey, Bulgaria, Romania and Hungary to Austria. The estimated cost of construction is currently almost EUR 8 billion and the planned final capacity is 31 billion cubic metres. The shareholders of the Nabucco consortium are OMV (Austria), MOL (Hungary), Transgaz (Romania), Bulgargaz (Bulgaria), BOTAŞ (Turkey) and RWE (Germany).

Having dropped from view for many years, the Nabucco project gained a new lease of life in January 2009 in the wake of a gas dispute between Russia and Ukraine, which left a number of EU member states without gas supply for a few cold weeks in the middle of winter. These events triggered massive political support for this pipeline that seeks to circumvent Russia, especially from Eastern Europe and the European Commission, who view this project, a backbone of the southern energy corridor to the EU, as proof that a common energy policy of the EU can bring tangible results. Political support was subsequently followed by financial support from the European Energy Programme for Recovery (a grant of EUR 200 million) and discussion about potential loans from Europe's public banks: the European Investment Bank (EIB, up to EUR 2 billion) and the European Bank for Reconstruction and Development (EBRD, up to EUR 600 million) as well as the International Financial Corporation (the private lending arm of the World Bank, EUR 400 million)¹

One of the main weaknesses of the Nabucco project is its lack of guaranteed gas supply. If the project is to reach its final capacity of 31 billion cubic metres per year it has to find a supplier with large, unexploited gas reserves. One potential supplier named very often is Turkmenistan – the obscure, gas-rich country situated on the eastern side of the Caspian Sea.

Until his death in 2006, Turkmenistan was lead by the president for life Saparmurat Niyazov. His successor Gurbanguly Berdymukhamedov has shown more openness to business dialogue with the west, including possible supply for the Nabucco pipeline.

This paper examines the less obvious aspects of the project – its possible impact on Turkmenistan, a country notorious for its grave human rights situation and the dictatorial tendencies of its political leaders. The first section focuses on the link between Nabucco and Turkmenistan, illustrated by the increased activity of political and business supporters of the pipeline in Turkmenistan. The second section describes the appalling situation regarding human rights and democratic freedoms in Turkmenistan. The final section discusses how, with a lack of public oversight over gas revenues in Turkmenistan, the construction of Nabucco may lead to the strengthening of one of the most brutal regimes currently in existence.

Our hope is that this brief analysis will go some way to put in the spotlight one of the most overlooked aspects of pipeline geopolitics, and will help to answer the question: Who pays for our so-called energy security?

Part 1: Why Turkmenistan is important for Nabucco, and how the EU is trying to engage with the Central Asian state

The development of the Nabucco pipeline is being divided into stages. It may be starting with a modest 8 billion cubic metres per year (bcm), but is intended to reach its final maximum capacity of 31 bcm². A lack of gas supply contracts has been one of the main concerns of the Nabucco promoters for many years. Other than Iraq and Azerbaijan – regarded as the first countries to provide gas – Turkmenistan is usually portrayed as the main supplier that will allow the final capacity of the pipeline to be reached³ as it has by far the biggest gas reserves out of these three countries, and these have not been exploited up to now⁴.



It is important to notice that, if it is built, Nabucco will finish more than a 1000 kilometres from Turkmenistan's border, but it creates the conditions for the construction of a Trans-Caspian Pipeline, which could feed Turkmen gas into Nabucco via Azerbaijan and Georgia.

The Nabucco consortium is not concealing its ambitions to access Turkmenistan's gas. At the beginning of 2009, the managing director of the consortium said in an interview for Radio Free Europe: "Energy sector projects are long-term not short term, so we have good reason to believe that [eventually] gas from Turkmenistan will be exported to Europe via Nabucco."

In 2010 the prospect of supply became much more concrete. Stefan Judisch, chief executive of RWE Supply & Trading, a subsidiary of the German shareholder of the Nabucco consortium, commented in May 2010 that the company expects to sign an agreement with Turkmenistan by the end of 2010. According to Judisch, delays were being caused by an overly slow process of political negotiations. "As soon as the political framework has been created, Turkmenistan will be ready to sign a supply contract," Judisch noted. Michael Rosen, spokesperson of RWE Supply & Trading, added that: "As a consequence, RWE is also talking intensively and constructively with Turkmenistan and Azerbaijan to agree upon results that would lead to gas supplies via the Nabucco pipeline"⁵.

Feeding Turkmen gas into Nabucco will, though, require the construction of an additional pipeline through the Caspian sea. "There are other options that are currently being discussed by the shareholders. But the [Trans-caspian] pipeline is a very stable and good solution for the transportation of gas," commented Christian Dolezal, the spokesman of Nabucco consortium in June this year⁶.

Indeed a publication of the German consortium shareholder praises the project for triggering new upstream gas investments in Turkmenistan and new infrastructure such as the Trans-Caspian pipeline⁷.

The importance of Turkmenistan for Nabucco has been confirmed by diplomatic efforts undertaken by both political (the European Commission, individual EU member states) and business actors involved in Nabucco (OMV, RWE). Throughout 2009 and 2010 all have shown increased interest in contacts

Pictures reproduced from the book *The Grandson Who Fulfilled His Grandfather's Dream* Turkmen State Publishing Service, Ashabad 2010, Turkmenistan. They present propagandised images of Gurbanguly Berdymukhamedov, the president of Turkmenistan, in his homeland where the cult of his personality is widespread.

with Ashgabat – the capital of Turkmenistan – in order to create the political framework for gas contracts.

In April 2009, after years of delay caused by human rights concerns, the European Parliament ratified an Interim Trade Agreement with Turkmenistan, which opened the way for closer cooperation. In July it was accepted by the Council of the EU⁸. This was followed by the intensification of dialogue between EU representatives and the Government of Turkmenistan over gas issues. This dialogue included visits made by EU representatives to Ashgabat: a representation of the EU Presidency (July 2009), EU Energy Commissioner Oettinger (April 2010) as well as a telephone conversation between the High Representative for Common Foreign and Security Policy Javier Solana and Turkmen president (December 2009). It was accompanied by a number of visits from EU delegations to Turkmenistan, including from France, Germany, Italy and Bulgaria. In 2009 and 2010 President Berdymukhamedov also met with counterparts from France, Italy and Bulgaria during his own visits to these countries⁹.

The mechanism pursued by the European Commission for accessing Turkmenistan's gas is called the Caspian Development



Corporation, a demand aggregator which wants to buy gas from the Caspian countries in order to trigger a firm commitment from their side to supply natural gas to the EU in sufficient quantities and for the long term¹⁰.

At the same time companies involved in Nabucco have undertaken intense efforts to improve their position in the hydrocarbons sector of Turkmenistan. The most visible of these is the German RWE, that in May 2009 signed a memorandum for long-term cooperation in the energy sector with the Turkmen government and subsequently opened an office in Ashgabat. This was followed by its acquiring of exploration rights for one of the offshore blocks in Turkmenistan's sector of the Caspian Sea and further intensive gas negotiations with high level officials in Ashgabat.

Similar but, until now, less successful efforts have been undertaken by the leading company in the Nabucco consortium, Austrian OMV¹¹. These political and commercial efforts clearly show that the volume of gas to be supplied by Azerbaijan and Iraq is not sufficient for Nabucco, and that cooperation with Turkmenistan is therefore essential to supplement these supplies¹².

Increased European political and business interest in Turkmenistan is accompanied by a changing approach from Europe's multilateral development banks, the EIB and the EBRD¹³.

In March 2010 the EBRD, a public bank in which EU countries have the majority of the shares, decided on changing its approach towards Turkmenistan. Previously the EBRD explicitly excluded investments into Turkmenistan's state-owned sectors (except, since May 2008, engagement with state-owned banks as partners for SME credit lines) because of human rights concerns. The EBRD's new country strategy for Turkmenistan endorses reforms conducted by Ashgabat, while stating that some problems still remain. The text of the strategy begins with the following paragraph: "Over the years the Bank has been concerned with Turkmenistan's failure to make progress

towards multi-party democracy, pluralism and a market-based economy in keeping with Article 1 of the Agreement Establishing the Bank. Recent progress in the political and economic spheres, triggered by the change in leadership in December 2006, provides an opportunity for deeper engagement, though several challenges remain."¹⁴

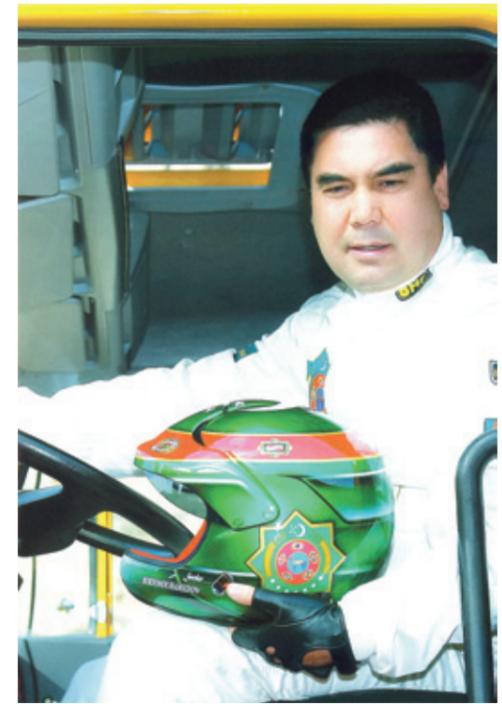
The EBRD may be followed by the EIB – in recent months the EIB has stepped up its activities in Central Asia, signing agreements with governments of Tajikistan and Kazakhstan. The next may be with Turkmenistan. Reportedly the EIB is also interested in supporting the Caspian Development Corporation¹⁵.

This situation is not being affected by the so-called 'human rights dialogue' between the EU and Turkmenistan. This process consists of yearly high-level meetings in the EU or in Ashgabat. Turkmenistan's citizens are not even aware that this mechanism exists, nor does the European public have access to the documents containing the content of these talks, because according to the Council of the EU their disclosure may hamper the dialogue and "the information contained in the documents would therefore also be detrimental to the good functioning of the relations between the EU and Turkmenistan."¹⁶

With few other obvious reasons for the European Commission and European companies to be taking an intensified political and business interest in Turkmenistan, it becomes ever more clear that this increased interest in the country is aimed at its gas reserves, rather than its people.

Part 2: How democratic is the current president of Turkmenistan?

In their external actions the EU institutions, including the EIB, are supposed to be guided by the principles of "democracy, the rule of law, the universality and indivisibility of



human rights and fundamental freedoms, respect for human dignity, the principles of equality and solidarity"¹⁷. Reference to the same principles may be found in the founding document of the EBRD, which states that the bank ought to fulfil its statutory goals in the countries "committed to and applying the principles of multiparty democracy, pluralism and market economics"¹⁸.

In order to observe these principles, and at the same time develop better business relationships with Turkmenistan's government, these institutions claim that after the death of the former president for life – Saparmurat Niyazov – the authorities started implementing democratic reforms. Contrary to Niyazov, his successor Gurbanguly Berdymukhamedov places a lot of importance and attention to good relations with the west, and has expressed a willingness to reform the country. Nevertheless, more than three years of his rule so far have not brought any substantial positive change for the citizens of Turkmenistan.

Under its current president Turkmenistan remains a one party state, with farcical elections and no legally acting civil society organisations. Political prisoners remain in prison as under Niyazov.

Well-known prisoners include Annakurban Amanklychev and Sapardurdy Khajiev, who have worked with human rights organisations, and the political dissident Gulgeldy Annaniyazov. Independent-minded individuals stay silent for fear of prosecution. In the most recent Freedom House survey measuring countries' political rights and civil liberties, Turkmenistan received the worst possible score, the same score indeed as North Korea and Burma¹⁹.

There is a complete lack of media freedoms in Turkmenistan. All print and electronic media are controlled by the state. Any public expression of alternative opinions is impossible. Access to the country is closed for international organisations including Human Rights Watch, Amnesty International and the International Confederation of Red Cross and Red Crescent. Médecins Sans Frontières was compelled to leave the country in December 2009.

In the last press freedom index published annually by Reporters Without Borders, Turkmenistan was ranked 173rd out of 175 countries²⁰. A study made by Freedom House, Freedom of the Press 2010: A Global Survey of Media Independence, included Turkmenistan in the 10 worst-rated countries in the world²¹.



In an open letter of autumn 2009, international NGOs wrote: "The strengthening of diplomatic and business contacts has not, as some hoped, led to improvements in fundamental rights of people in Turkmenistan. We, the signatories, call upon governments and commercial companies to use their access to Turkmen authorities not only for commercial interests, but also to improve the lives of the over 5 million Turkmen citizens living under this government, and to call for access to Turkmenistan by international civil society and human rights organisations."²²

□ Developments in 2010

On March 23, the board of directors of the EBRD finalised a new strategy for Turkmenistan, praising the country's political and economic reforms²³ introduced since 2006. Since then, official propaganda from Turkmenistan's government has sought to exploit the new EBRD strategy as proof of western acceptance of its very gradualist reform steps. An official governmental source²⁴ has noted: "The Board of Directors of the European Bank for Reconstruction and Development (EBRD) has unanimously approved a new strategy for Turkmenistan for 2010-2013 and expressed its full support to the large-scale political and economic reforms implemented in Turkmenistan."

In the same period the EU's Energy Commissioner Günther Oettinger has visited Ashgabat to discuss the issue of gas supply to Europe. Despite a call from Heidi Hautala, the chairwoman of the Subcommittee on Human Rights in the European Parliament, to include human rights in the agenda of this official visit, there are no indications that this was fulfilled.²⁵

Parallel to this, a new crackdown on civil society was taking place. As mentioned above, in December 2009 Médecins Sans Frontières (MSF) left the country saying that lack of will to cooperate from the side of government was preventing them from fulfilling their mission.

To put this into context, MSF still operates in totalitarian Burma (Myanmar) and the failed state of Somalia.

In April 2010 MSF released a report that provides more explanation for this decision. It states: "The people of Turkmenistan are being failed by their health care system, by their government, and by the international community."²⁶ Publication of the MSF report was followed by attacks on civil society in the country. The government initiated a wave of interrogations against citizens in the country who may have had in any way contributed to the report. Local sources report that many activists and health practitioners are being called for interrogation. Further, their testimonies are validated through questioning other individuals and thus initiating a wave of interrogation



“The people of Turkmenistan are being failed by their health care system, by their government, and by the international community”

throughout the country. On April 16, two days after the visit of Oettinger, President Berdymukhamedov signed a decree ordering the liquidation of several medical centres in Ashgabat. According to local sources, these centres were involved with MSF's work in the country²⁷.

In April 2009 the European Parliament gave a green light to the Interim Trade Agreement (ITA) with Turkmenistan, which opens the door for more intensive trade relations with the EU and promised upgrading of relations with Turkmenistan. When approving the agreement, the European Parliament saw it as "a potential lever to strengthen the reform process in Turkmenistan"²⁸. The resolution accompanying the approval defined

concrete steps that should be taken by the Government of Turkmenistan. These include: the unconditional release of all political prisoners and prisoners of conscience; the removal of all obstacles to free travel; free access for independent monitors, including International Red Cross; open and democratic elections, freedom of religion, and the development of a genuine civil society.

In the resolution the European Parliament underlines that "the ITA is not a blank cheque" for Turkmenistan" and calls "for strict monitoring and regular reviews of developments in key areas in Turkmenistan and, if appropriate, for a suspension of the agreement if there is evidence that the conditions are not being met".

One year after the approval of the ITA, and more than three years after Berdymukhamedov became president, it is increasingly clear that promises of political reforms have not been delivered and that such promises are serving as a smokescreen for business engagement. Nevertheless the EU intends to move its relations with Turkmenistan even one step further towards normalisation. In autumn 2010, the European Parliament is to decide on ratification of a Partnership and Cooperation Agreement with Turkmenistan, a step strongly endorsed by the European Commission.

Part 3: Gas revenues – how they strengthen the regime

As shown above, the need to access Turkmen gas has already weakened Western determination to politically influence Ashgabat in order to improve its appalling human rights situation as well as political and civic liberties. The most obvious indication of this tendency was the acceptance of the Interim Trade Agreement between the EU and Turkmenistan by the EU foreign ministers on July 27, 2009 that ignored the resolution of the parliament by making no reference to human rights²⁹.

While closer cooperation in the gas sector has already started to decide the shape of EU-Turkmenistan relations, there is a threat that in the future it may strengthen the regime in a more direct, economic way. Turkmenistan's budget is already highly dependent on its hydrocarbons sector³⁰, which is controlled by the state apparatus without any oversight from society. This makes gas exports effectively a matter of life and death for the regime. Better access to a wealthy and stable European market will make its life a lot easier.



Construction of the artificial Golden Age Lake in the Karakum desert.

In 2006, in the report "It's a Gas"³¹ the international NGO Global Witness exposed the mechanisms of accumulating revenues from the exporting of oil, gas and cotton on extra-budgetary accounts held by Deutsche Bank in Frankfurt under the previous president of Turkmenistan. Theoretically these accounts belonged to the state, but in practice they were controlled by the late president himself. At least USD 3 billion was accumulated on these accounts in Deutsche Bank in a so-called Foreign Exchange Reserve Fund. It seems that they were never reported in the state budget.

According to estimations from the Global Witness report, in 2005 70 percent of Turkmenistan's income comes from its natural resource exports – yet this wealth hardly ever reaches the people. The report further shows that 75-80 percent of all governmental spendings took place off-budget. The money was often spent developing the personality cult of the leader, including glittering palaces, barely used complexes of hotels and restaurants and an infamous gold statue of the president that rotates to face the sun. These resources were further used to maintain the police state conditions that oppress the country's citizens and monitor their lives for any sign of dissent. On top of this not only does the management of Turkmenistan's oil and gas revenues remain a mystery, but the overall information about the budget remains scant. Contrary to public statements made by President Berdymukhamedov in August 2007, until now no proper budget has been published by Turkmenistan's government. The only available information is a vague sector-by-sector breakdown³².

Has anything changed after the death of president Niyazov? In October 2008, Berdymukhamedov, the new president, announced the establishment of a Stabilisation Fund, a new transparent mechanism for accumulating gas and oil revenues. It was supposed to replace the extra-budgetary funds, especially the Foreign Exchange Reserve Fund, and serve channelling revenues into long-term investments such as infrastructure.

Nonetheless there are no signs that the new scheme differs from the previous one.

Both sources in Turkmenistan, as well as in the international financial institutions and EU institutions, unofficially admit that they have not seen any documents defining the way the new fund is managed. According to Jan Šir: "(...) senior government members have been since repeatedly quoted as reporting about financial means being transferred from the state budget to the Stabilization Fund on a regular basis starting from 2009. The published Law "On Turkmenistan State Budget" for both 2009 and 2010 does not seem to support this claim though."³³ Nor is there any information about what happened with the money accumulated in Deutsche Bank after the death of Niyazov.

It seems again that declarations about more transparency were a smokescreen for the continuation of business as usual. Under President Berdymukhamedov gas and oil revenues remain as secret and beyond the control of citizens as they were under Niyazov.

There are enough arguments to support the view that Turkmenistan's authorities conducted some economic reforms mainly aimed at improving conditions for foreign investments in the country. The most important reform was the unification of the exchange rate in May 2008 and the introduction of a new foreign investment law. Unfortunately, similar to the Chinese model, these changes were not followed by political reforms, better observance of human rights or by greater transparency in managing gas and oil revenues.

□ Lake on the Desert

One of the grandiose ideas of the late president Niyazov – and continued by Berdymukhamedov – is the construction of the Golden Age Lake in the Karakum desert. It is only one of the plethora of examples of how the Turkmen regime fails to use money to improve the lives of its people, instead



President Berdymukhamedov inaugurating the Golden Age Lake.

frittering it away on huge white elephant projects.

The Golden Age Lake is planned to cover an area of 2000 square kilometres, and it will take more than 13 years to fill it by collecting water from all around the country that should go for irrigation purposes³⁴. Despite criticism from local activists, the project has not undergone any publicly-known assessment of environmental and social impacts. The negative implications of this construction are already visible. Problems with access to water have appeared in some regions of the Karakum desert, where channels have raised the water table along their length, spoiling drinking water wells in some settlements with the salinated water from the channel. This has forced communities to leave the places of their traditional life and work. There have also been numerous biodiversity losses in the Karakum desert as a result of constructing the network of channels that supply the reservoir with water³⁵.

There are more fears about the impact of the construction. A large part of the water is lost during the transport as a result of leakage to the ground and a high evaporation rate. Furthermore, evaporating water leaves salt on the ground increasing its salinization – a



devastating process well known in Central Asia. Another problem is the concentration of pesticides and fertilizers that will be collected by the channel and finally end up in the reservoir, making it unusable for irrigation

This Soviet-style construction may end up to be an environmental and social catastrophe, as has happened with the nearby Aral Sea. “Trying to find value in this lake may be like trying to put lipstick on a pig,” says Michael Glantz, director of the U.S. National Center for Atmospheric Research’s Center for Capacity Building in Boulder, Colorado³⁶.

❑ Corruption

Corruption is common in Turkmenistan – it constitutes an integral part of the way business is carried out in the country. The rate of corruption in Turkmenistan has been recognised as one of the highest in the world by Transparency International³⁷. The U.S. Department of State on its website simply states that the corruption in Turkmenistan “is pervasive”³⁸. Some of the cases of corruption in Turkmenistan have even gained international prominence.

Turkmenistan’s officials use cars provided

by the German car manufacturer Daimler. In April 2010 the U.S. Justice Department found Daimler guilty of violating U.S. anti-corruption legislation, whereby companies operating in the U.S. that have offered bribes in other countries – namely, in this case, Turkmenistan – are judged to be in breach of the law. The German company is to pay the U.S. government almost USD 200 million in fines.

Documents released by the Justice Department provide a host of details of Daimler’s illegal activities in Turkmenistan, including the delivery of an armoured luxury sedan to “a high-level executive official” in 2000 valued at USD 300,000. The document says that Daimler officials explained that if the car wasn’t offered, “all of Daimler’s sales to the Turkmen government would be in jeopardy.”³⁹

As reported by sources in Turkmenistan, state officers at all levels, including law enforcement agencies, are involved in corruption and arbitrary racketeering. There are no incentives to fight corruption. On top of this there is even no anti-corruption legislation in Turkmenistan. In the current environment and with the intensification of business relations with Turkmenistan, especially in the governmental controlled hydrocarbon sector, corruption may be another mechanism for sustaining the regime.

Good business practice, however, for example adherence to the OECD Guidelines for Multinational Enterprises⁴⁰, is completely meaningless in a country like Turkmenistan that has no anti-corruption legislation. Furthermore, environmental and labour legislation is void in the absence of independent environmental organisations and trade unions that could seek to counterbalance the power of the state.

❑ Transparency is not enough

Even if Turkmenistan’s government commits to publish oil and gas revenues it is difficult to imagine that this will result in

the use of the monies for public benefit. This would require a substantial change in the political and social landscape of the country first. Without pluralism in public life and an effective mechanism for citizens to change their government, there is no prospect currently to ensure that they are the ones who can decide and ultimately benefit.

Even the imperfect international mechanism for more sustainable use of oil and gas revenues – the Extractive Industries Transparency Initiative (EITI) – can not be applied in Turkmenistan in the foreseeable future. One of the criteria for the implementation of EITI is that “Civil society is actively engaged as a participant in the design, monitoring and evaluation of this process and contributes towards public debate.”⁴¹ In Turkmenistan, where civil society does not exist and public debate contains only one, governmental voice, it will take years before this criterion is fulfilled. Hence, transparency commitments can not be used as a figleaf for gas cooperation with Turkmenistan.

On top of this there is extensive literature describing the negative correlation between oil revenues and the state of democratic institutions⁴² as well as media freedom.⁴³ There is no reason for not applying the same thinking to gas revenues. The higher the resource rent is, the weaker the democratic institutions and independent media are.

❑ Conclusions and recommendations

More than three years after the death of President Niyazov, Turkmenistan remains one of the most repressive regimes in the world with one party, no free media and no civil society. Promises of transformation towards democracy have not been delivered.

“It is thus difficult to conclude at this stage that the character of the post-Nyazov regime in Turkmenistan has undergone liberalization in any meaningful sense of the term.” Thus wrote the authors of the report “Dismantling Totalitarianism? Turkmenistan under Berdimuhamedow”.⁴⁴

Control over the country’s huge hydrocarbon resources remains in the hands of few. The situation remains grave despite the increased political and business presence of western actors in Ashgabat.

Closer cooperation with Turkmenistan is often described as a way to influence the regime and to change it for the better. Indeed the supporters of the Nabucco pipeline claim that western political and business engagement in the country will bring about some kind of natural transformation of the repressive regime. But it is difficult to imagine how western oil and gas companies, busy with courting the country’s unpredictable decision-makers to obtain and maintain their access to gas reserves, can ensure that more democracy is brought to Turkmenistan.

Business efforts go hand-in-hand with political support, while human rights and democracy issues are left for so called ‘human-rights dialogue’ – isolated, once-a-year meetings between the EU and Turkmenistan’s officials, with the details of the discussions kept secret.

The continuation of the current European approach towards Turkmenistan could result in a freezing of the situation in the country.



Involvement in talks about gas supplies has already weakened European criticism of Ashgabat's violations of human rights and the principles of democracy. A major flow of European money from gas purchases could further strengthen the regime, leaving it with even fewer incentives to change than today.

If the political dialogue with Turkmenistan is to bring any results for changing this corrupt and undemocratic regime, a clear signal has to be given now. Negotiations over the supply of Turkmenistan's gas to Europe should be preceded by the formulation of measurable benchmarks to show the transition of Turkmenistan towards becoming a more democratic state. These demands should be made public. Only when they are met, should the EU move to initiate business negotiations, including mechanisms like the Caspian Development Corporation and support for projects of the Southern Gas Corridor, principally Nabucco.

Such conditions should include as a minimum:

The establishment of a nationwide, transparent process to review all cases of political imprisonment in order to establish the real number of prisoners held on politically motivated charges, and to ensure that victims of abuse are provided redress; The lifting of travel bans on students, activists and relatives of opposition members, and the dismantling of the system that allows for interference with citizens' ability to leave and return to Turkmenistan; Allowing activists, civic groups, and journalists to operate freely and without fear of persecution; Ensuring access to the country, including to places of detention, for independent human rights monitors and the extension of invitations to all United Nations monitors who have requested access⁴⁵.

Before these conditions are met, energy security for Europe could be achieved by different means.

According to a 2008 letter from the European Insulation Manufacturers Association to European Commission President José Manuel Barroso: "Simple and cost effective energy efficiency measures like better insulation, glazing and more efficient lighting could deliver savings equivalent to 500 million cubic meters of gas per day."⁴⁶ This is almost seven times the amount of gas planned to be delivered by Nabucco when it reaches its optimal capacity. We could, then, achieve the goal of energy security by rationalising our energy use with the effects becoming visible almost immediately, not in five or ten years time as will be the case with Nabucco.

Unlike big fossil fuel investments, concentration on energy efficiency will not only contribute to energy security and emission reductions, but can also deliver 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 small- and medium-sized enterprise sector. This is a sector on which the European public banks – the EBRD and the EIB – should be concentrating their efforts and their resources. □

Footnotes

- 1 EBRD, EIB and IFC start appraisal of Nabucco pipeline, press releases of the EBRD from 6.9.2010.
- 2 Intergovernmental Agreement regarding Nabucco pipeline signed by Austria, Hungary, Romania, Bulgaria and Turkey on 13th of July 2009 in Ankara. The Nabucco Pipeline Agreement was ratified by Turkey, as the fifth and final of the five signatory transit country parties to do so, on 4 April 2010. Pursuant to its commencement terms the Nabucco Pipeline Agreement may therefore be expected to enter into force on the 1 June 2010. Text of the agreement: http://www.mfa.gov.hu/NR/rdonlyres/1C1C5D2A-DC4E-425F-9D56-056B0DB09D8F/0/090714_nabucco_agreement.pdf
- 3 First Nabucco Gas Will Likely Come From Iraq, Reuters, 2.10.2009.
- 4 BP Statistical Review of World Energy, June 2009.
- 5 Project participants: Postponing agreement with Turkmenistan to have no impact on dates of final investment decision on Nabucco, trend.az, 7.5.2010.
- 6 Nabucco official: Trans-Caspian gas pipeline - stable solution for transporting Turkmen gas to Europe, trend.az, 9.6.2010.
- 7 Nabucco: The most commercial Southern Corridor gas pipeline project, presentation from RWE Supply & Trading GmbH dated 20.11.2009, <http://www.rwe.com/app/Pressecenter/Download.aspx?pmid=4004206&datei=1>
- 8 Critical comment by Human Rights Watch: Reaching out to Turkmenistan – the wrong way, European Voice 30.7.2009.
- 9 Monitoring of Turkmenistan's Press.
- 10 Caspian Development Corporation (CDC), Eurogas preliminary remarks, June 2009.
- 11 OMV strives to implement oil and gas projects in Turkmenistan, www.trend.az, 18.2.2010.
- 12 The Southern Gas Corridor is an initiative of the EU for gas supply from Caspian Sea region and Middle East regions to the EU. It is not entirely clear which projects fall under the initiative. The final declaration of the Southern Corridor summit under the Czech EU presidency in Prague in May 2009 mentioned Nabucco, Italy-Greece-Italy interconnector and Trans-Caspian energy transportation projects.
- 13 Taken together the countries of the EU have a majority stake in the bank.
- 14 Strategy for Turkmenistan, EBRD, accepted on March 23, 2010. This general recognition was heavily criticised by a number of international NGOs in their comments to the draft version of the strategy. The majority of them claim that promises of greater freedom made by the Turkmen government have not been delivered. A list of the organisations that commented on the strategy can be found on bank's website: <http://www.ebrd.com/about/strategy/country/turk/comment.pdf>
- 15 Caspian Development Corporation (CDC), Eurogas preliminary remarks, June 2009.
- 16 Letter from Secretariat of the Council of the EU to CEE Bankwatch Network, 22.3.2010. <http://bankwatch.org/project.shtml?apc=162059-22077500-1&x=2234537>
- 17 The Treaty on European Union, Article 21.
- 18 Agreement Establishing the European Bank for Reconstruction and Development, Article 1.
- 19 Freedom in the World 2010, Freedom House.
- 20 Media freedom index, Reporters Without Borders 2009. http://en.rsf.org/spip.php?page=classement&id_rubrique=1001
- 21 Restrictions on Press Freedom Intensifying, Freedom House, 29.4.2010. <http://freedomhouse.org/template.cfm?page=70&release=1177>

- 22 A Call for Access to Turkmenistan, Open letter of international NGOs, 29.9.2009 <http://www.crudeaccountability.org/en/index.php?page=a-call-for-access>
- 23 An overview of economic reforms in Turkmenistan can be found in the upcoming article: J. Šir, Turkmenistan - A Promised Land for Making Business? Macroeconomic Reforms under Berdymukhammedov, China and Eurasia Forum Quarterly, 2010.
- 24 EBRD approves new strategy for Turkmenistan for 2010-2013, Turkmenistan.ru, 10.4.2010.
- 25 Letter from Heidi Hautala to Commissioner Oettinger: <http://bankwatch.org/project.shtml?apc=162059-22077500-1&x=2234528&d=0>
- 26 Turkmenistan's opaque health system, Médecins Sans Frontières April 2010.
- 27 Turkmen Civil Society attacked following International Criticism of Turkmenistan Health System, CIVICUS press release 16.4.2010, <http://www.civicus.org/press-release/1334>
- 28 European Parliament resolution of 22 April 2009 on the Interim Trade Agreement with Turkmenistan, P6_TA(2009)0252.
- 29 Reaching out to Turkmenistan – the wrong way, European Voice 30.7.2009.
- 30 There is no reliable data about Turkmenistan's gas and oil revenues available. Estimations for the year 2005 can be found further in the text.
- 31 It's a Gas. Funny Business in the Turkmen-Ukraine Gas Trade, Report of Global Witness, 25.7.2006;
- 32 Global Witness' comments to the draft version of the Turkmenistan country strategy of the EBRD.
- 33 J. Šir, Turkmenistan - A Promised Land for Making Business? Macroeconomic Reforms under Berdymukhammedov, China and Eurasia Forum Quarterly, 2010.
- 34 President inaugurates Turkmen lake, Turkmenistan.ru, 17.7.2009.
- 35 Turkmen activists' comments to the draft version of the Turkmenistan country strategy of the EBRD.
- 36 Richard Stone, A New Great Lake – or Dead Sea?, Science magazine 23.5.2008
- 37 Corruption Perceptions Index 2009, Transparency International.
- 38 <http://www.state.gov/t/pa/ei/bgn/35884.htm>
- 39 Ashgabat on receiving end of Daimler bribes – US federal court documents, Eurasianet, 30.3.2010.
- 40 Text of the OECD Guidelines for Multinational Enterprises, http://www.oecd.org/document/18/0,3343,en_2649_34889_2397532_1_1_1_1,00.html
- 41 <http://eiti.org/eiti/principles>
- 42 M. Ross, Does oil hinder democracy, World Politics 2001, Vol. 53, No. 3.
- 43 G. Egorov, S.M. Guriev, K. Sonin, Why resource-poor dictators allow freer media. A Theory and Evidence from Panel Data, American Political Science Review 2009, Vol. 103, No. 4.
- 44 S. Horák, J. Šir, Dismantling Totalitarianism? Turkmenistan under Berdimuhamedov, CACI-SRSP Silk Road Papers March 2009.
- 45 From the statement of the French League for Human Rights, Human Rights Watch, International Federation for Human Rights and Reporters Without Borders, January 2010.
- 46 Europe's biggest strategic energy reserve – its buildings, open letter from European Insulation Manufacturers Association to European Commission President José Manuel Barroso, 9.10.2008.

CEE Bankwatch Network is an international non-governmental organisation (NGO) with member organisations currently from 12 countries across the central and eastern European region.

We monitor the activities of the international financial institutions (IFIs) which operate in the region, working to prevent the environmentally and socially harmful impacts of international development finance, and to promote alternative solutions and public participation.

Our campaigning on major fossil fuel projects backed by the IFIs has included the **Baku-Tbilisi-Ceyhan** pipeline, where we have sought to mitigate the social and environmental impacts of this 4 billion euro project that public banks such as the European Bank for Reconstruction and Development have dubiously dubbed a “development” project.



We have also worked with international partner organisations on the Sakhalin 2 Phase 2 oil and gas project in the Russian Far East. Our efforts have helped to protect the few remaining Western Pacific grey whales that feed off the coast of Sakhalin Island, and helped contribute to the non-financing of the controversial Shell-led project by the European Bank for Reconstruction and Development.



Find out more about our fossil fuels campaign and policy work at:

www.bankwatch.org/project/oilandclimate



Burma
Equatorial Guinea
Libya
North Korea
Somalia
Sudan
Turkmenistan
Uzbekistan



The least free countries rated in Freedom House's
"Freedom in the World" rankings for 2009

For more information:

Piotr Trzaskowski

Energy and Climate Coordinator

CEE Bankwatch Network

ul. Wspólna 41 lok. 72, 00-519

Warszawa

Tel: +48 228 920 086

Email: piotr.trzaskowski@bankwatch.org

This position paper has been produced with the financial assistance of the European Union. The content of this position paper is the sole responsibility of CEE Bankwatch Network and can under no circumstances be regarded as reflecting the position of the European Union.



Bankwatch is also grateful to the following donors for their ongoing support of our work: Charles Stewart Mott Foundation, European Climate Foundation, International Visegrad Fund, Oxfam Novib, Sigrid Rausing Trust, VROM - Dutch Ministry of the Environment and Spatial Planning.