

Nabucco: a short-sighted answer to the energy security challenge



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

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Introduction

While the proponents of the Nabucco gas pipeline project successfully managed to exploit the recent war in Georgia and the short-lived energy crisis caused by the Ukraine-Russia gas conflict to gain a political boost for the economically dubious project, they have also been very successful in avoiding several important issues.

As there is a lack of guaranteed gas supply, some of the countries involved have turned their eyes to Turkmenistan, a country with an extremely bad track record of human rights' abuses. Similarly Azerbaijan, another potential source of gas, and where the Baku-Tbilisi-Ceyhan pipeline has demonstrated that these large infrastructure projects fail to bring real development to the region, is also failing to respect human rights. There is also an important question: whether there aren't better uses for limited public funding than for a project that simply switches the import of one questionable source of fossil fuels to another?

Both presidents of the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD) have declared that the banks are considering support for the project, yet they have so far failed to demonstrate if there is an economic as well as a development justification for the project. As the companies composing the Nabucco consortium have limited financial capacities to invest at least EUR 7.9 billion needed for construction (the situation has been further aggravated by the financial crisis), the role of public finance will be essential.

Human rights concerns

Considering the possible option of intensifying energetic cooperation with Azerbaijan and Turkmenistan, western countries and institutions should take into account the human rights' records of these potential partners. Both are among the most authoritarian regimes in the world (in the most recent Freedom House survey, Turkmenistan received the same score as North Korea; Azerbaijan follows not far behind¹). Human rights concerns were raised by the European Parliament in March 2009, when it declined to vote on EU's Interim Trade Agreement with Turkmenistan².

Some external commentators have been misled by mere changes introduced in Turkmenistan by new president Gurbanguly Berdimuhamedov. In its reports Human Rights Watch observes that there are no signs of real transformation towards a pluralist democracy with freedom of speech in Turkmenistan. "Draconian restrictions on freedom of expression, association, movement, religion and belief remain in place in Turkmenistan", it says³.

¹ "Freedom in the World", Freedom House, 2008.

² The agreement was finally accepted by European Parliament at the end of April.

³ "Fact Sheet on Turkmenistan: Still Closed and Still Repressive", Human Rights Watch, August 2008; "Human Rights Reform in Turkmenistan. Rhetoric or Reality?", Human Rights Watch, November 2007.

In March this year, supporters of the Azeri president Ilham Aliyev, serving his second and, according to the constitution, last term, managed to amend the law and thus remove the barrier of two consecutive terms as president. It is now possible that Ilham Aliyev will stay in power until the end of his life, as his father Heydar did.

In both countries, the absence of pluralism 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. In the case of Azerbaijan this cash inflow may also contribute to destabilisation around Nagorno-Karabakh as Baku radically expands its military potential⁴.

Environmental and social risks

The construction of the BTC pipeline has proved that Turkey has difficulties abiding by environmental standards as well as respecting voluntary resettlement procedure and fair land compensation. The potential construction of a trans-caspian pipeline from Turkmenistan to Azerbaijan poses a threat also to the unique ecosystem of the Caspian Sea, the largest lake in the world. There is a major risk that in order to quickly use EU funding, the environmental and social impact assessments will have to be conducted in a rush and will omit the impacts on the Caspian Sea as happened during the BTC pipeline construction.

Could we use public money more effectively?

The EBRD country strategies for Bulgaria and Hungary very correctly point out that "energy efficiency and renewable energy need to be promoted to enhance energy security, reduce energy intensity and meet environmental targets." Beside the energy security debates related to Nabucco that could be addressed through energy efficiency, there is another important factor – energy efficiency is a labour intensive operation and could create more and more needed employment opportunities in the time of an economic crisis.

For more information

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⁴ Over the last five years Azerbaijan's military budget has increased by more than 1000 percent. "Growing Azeri defense budget buildup—in earnest or for show?", Jamestown Foundation, 31 October 2008.