Trans Adriatic Pipeline (TAP) - international -

Sectors: oil and gas

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Project website

Status

Planning  Design  Agreement  Construction  Operation  Closure  Decommission

About Trans Adriatic Pipeline (TAP)

The Trans Adriatic Pipeline (TAP) project is the western extension of the Southern Gas Corridor (SGC). SGC is planned to export natural gas – initially 10 billion cubic metres per year – from the Shah Deniz II field in the Caspian Sea to western markets via the South Caucasus Pipeline extension (Azerbaijan to Georgia), on through the Trans-Anatolian pipeline (TANAP) stretching across Turkey, and then joining up with TAP at the border of Turkey and Greece. With estimated construction costs of EUR 5 billion, TAP is planned to run for 879 kilometres in total across northern Greece (545 km), Albania (215 km), the Adriatic Sea (105 km), make landfall in Italy at a small, popular beach in San Foca, and conclude with a short pipeline section (8 km). A further 55 km pipeline is planned to connect TAP to the Italian gas network. The TAP company is promoting and constructing the project; its current shareholding comprises BP (20%), SOCAR (20%), Snam (20%), Fluxys (19%), Enagás (16%) and Axpo (5%).

Brief history

Following years of preparatory work dating back to 2003 as well as many protracted negotiations and discussions over the routing and the ownership of the Southern Gas Corridor, TAP construction formally started in May 2016. The TAP company is working to a timetable which foresees TAP operations commencing in 2020, although work on the project’s Italian section is stalled and behind schedule due to opposition from both residents in the town of Melendugno and local and regional authorities. Construction work is moving forward both in Albania, where there is widespread dissatisfaction among stakeholders owing to a flawed compensation and land acquisition process conducted by the TAP company, and in Greece, despite protests and resistance from communities and farmers in the north-east of the country related to the pipeline’s routing through both highly fertile agricultural land and seismic areas close to residences.

To date, no third party financing for TAP from either public or private financial institutions has been agreed but it is widely known that both public and private banks are assessing and considering finance for the project. One commercial bank – Société Générale – has been providing financial advice and guidance to TAP since March 2013.

What must happen

As a result of its harmful environmental, social and climate impacts, further construction and realisation of the TAP project would be a major setback both for the communities affected by the project and Europe’s energy future, bearing in mind the resulting ‘carbon lock-in’ which the project would bring about. The wide range of impacts put the project’s viability at risk. Financial institutions should be aware of all the rights violations and technical shortcomings on the ground in Albania, Greece and Italy – a Counter Balance and BankTrack analysis (published in February 2017) describes how the project is failing to comply with the Equator Principles. All potential financiers – both public development banks and commercial banks – should refrain from entering into any contractual relation with the promoters of TAP and other sections of the Southern Gas Corridor.

Issues

Social issues

TAP’s shortcomings in the pre-construction phase and now the construction phase are being resisted by a variety of communities, groups and local authorities. In Albania uncertainty and confusion has been created for many people whose lives, land and livelihoods are being jeopardised. Villages along the TAP route are dotted with scores of olive trees, orchards, pastures and fields providing subsistence for local inhabitants. Two fact-finding missions carried out in 2016 by NGOs (July: 32 villages visited; August: 30+ villages visited) identified extensive community discontent concerning involuntary resettlement, compensation for loss of land and property, damage to property and the engagement methods being used by TAP’s Albanian contractor ABKons.

In Greece, as the pipeline routing is planned to cross highly fertile agricultural land in the north-east, farmers’ groups have borne the brunt of what
they say have been inappropriate consultation methods deployed by TAP, with instances of threats and malfeasance connected with land acquisition dating back to 2015 and still ongoing. Approximately 200 farmers are unwilling to settle terms with the company, and stand-offs between the company and farmers have resulted in police interventions, with farmers confronting TAP workers who have arrived on their land without permits or consent.

In Italy, around two hundred families, local fisheries and a burgeoning local tourism sector are directly affected by the project proposal. Trust between TAP AG and much of the affected community in Melendugno, as well as other stakeholders (i.e., local and regional authorities), has broken down – the company’s efforts to start construction for the final leg of the project in Italy are currently stalled owing to local opposition and ongoing court cases.

The European Investment Bank (EIB), a potential financier of TAP, is conducting due diligence. Reflecting the level of public grievance over TAP, the EIB has already received 13 complaints about TAP from members of the public and groups in the three transit countries.

Environmental issues

Individual environmental and social impact assessments (ESIAs) were prepared for each of the three TAP transit countries. In Albania, the ESIA was approved by the Ministry of Environment, Forests and Water Administration in April 2013, followed by official granting of the Environmental Permit.

In Greece, the Ministry of Environment, Energy and Climate Change formally approved the TAP ESIA in September 2014, though legal challenges (ongoing) to the approval have been lodged at Greece’s Supreme Court. At issue is the routing of the pipeline section Kavala-Serres-Thessaloniki, 113 kilometres in length, which would disrupt fertile agricultural land and present threats to various villages, and the location of a compressor station close to a number of villages and settlements. Major concerns relate to the pipeline’s integrity in the acutely flood-prone region of Tenagi in Kavala, and TAP AG’s unwillingness to consider suggested alternative locations for its compressor station in the seismic Serres plain.

In Italy, the ESIA approval process has been – and remains – highly contested. In September 2014, Italy’s Environment ministry approved the TAP ESIA, yet in so doing also attached 58 mandatory provisions for TAP to fulfil before the beginning of the project’s construction. TAP AG is understood to have so far provided documentation which allows it to fulfil only three of these mandatory provisions and – alarmingly – is said to be seeking final authorisation to proceed with construction on the basis of fulfilling the missing provisions only during its implementation of the project. The company’s plans to transplant sensitive olive trees continue to be disputed and TAP opponents contend that the mitigation of environmental impacts from drilling work (offshore and onshore) remains uncertain owing to missing assessments on impacts to the seabed and independent studies on species impact.

Governance

Applicable norms and standards

<table>
<thead>
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<th>Equator Principles</th>
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<tbody>
<tr>
<td>European Bank for Reconstruction and Development Environmental and Social Policy 2014</td>
</tr>
<tr>
<td>IFC Performance Standard 5: Land Acquisition and Involuntary Resettlement</td>
</tr>
</tbody>
</table>

Updates

More clashes and continuing tension over olive trees in Puglia, Italy

Aug 16 2017

On July 4 this year, between 1am and 7am, approximately 400 police moved in to block every road in and out of the small tourist town of Melendugno in Puglia – this was done to enable TAP contractors to move 47 uprooted olive trees.

Local villagers who have been resisting TAP’s uprooting of ancient olive trees to make way for the pipeline route experienced what they say was the most heavy-handed police violence since the beginning of their resistance efforts in March this year – Melendugno’s vice-mayor was among those physically beaten by police. An authorisation document signed by the TAP company included a commitment not to carry out TAP-related work during the tourism season and until the end of September. A short video clip containing testimonies about what took place on the night of July 4, including from the deputy mayor of Melendgo Simone Dima, is available here.

This is a further example of the company’s bad faith in Italy as it brazenly attempts to stick to its schedule, and it has provoked yet further tensions with the local community, who are now anticipating an escalation of police involvement in late September. Four more formal complaints – in addition to those noted already in the Counter Balance and BankTrack analysis published in February – have been lodged about the implementation of the TAP project at the European Investment Bank by complainants in Italy.
Major Italian media investigation reveals TAP linkages to politically exposed persons and offshore vehicles

Aug 16 2017

An investigation published on 20 April 2017 by L’Espresso, Italy’s top weekly publication, uncovered the web of companies and shareholders linked to both the TAP and TANAP projects.

‘The pipeline of the three regimes’ investigation uncovered a web of connections to the regimes of President Erdogan in Turkey and of President Aliyev in Azerbaijan, including via family members and politically exposed persons. The investigation – available here in English translation – also establishes connections to offshore vehicles that were first identified as part of the Panama Papers.

Civil society organisations have brought these matters to the attention of the European Investment Bank. Private banks which may be considering involvement in TAP are advised, in this murky context, to carry out reinforced due diligence ahead of any decision on TAP financing – in order to avoid supporting a project whose real beneficiaries may be politically exposed persons directly linked to autocratic regimes and companies registered in offshore jurisdictions.

Tensions increasing in Greece, where residents' demands are going unheard

Aug 16 2017

In Greece, the Farmers' Association in Kavala filed a complaint to the European Investment Bank in August 2015 – to date this complaint has not been heard. EIB staff visited Kavala in October 2016, however they failed to address the issues in question which had been raised by the Farmers' Association nor did they facilitate any kind of solution with the Greek government and the TAP consortium.

Currently there is 10 kilometres of land where construction is blocked because the land owners have not been informed or consulted during the environmental impact assessment or at any stage thereafter, and have pressed charges against the company for violation of private property and damage. In the Greek context of economic and financial crisis, where agriculture remains one of the very few sectors which allows people to earn a living, the farmers' demands are more than reasonable and should be heard. Moreover, the range of security and health issues which have been raised by many other voices opposing the project, as well as the project's economic underpinnings (the Greek state could be asked to provide a public guarantee for any public or private loans agreed for TAP) are an extra concern in Greece. In July, a further issue concerning the TAP project's use of water has emerged, in the context of the water crisis which Greek agriculture is currently facing.

Oil price and Russian pressure put Azerbaijan’s strategic gas project at risk – Chatham House

Aug 16 2017

A recent assessment (19 July 2017) from an associate of The Royal Institute of International Affairs/Chatham House in London points to the “faltering finances” of the Southern Gas Corridor as a whole and questions the financial credibility of the Corridor’s component parts (TAP and TANAP) given the acute economic downturn currently being experienced by Azerbaijan.

Financiers

The TAP project is seeking financing from both public and private sources, with the following institutions currently projected to cover the estimated total project costs of EUR 5 billion:

- European Investment Bank – EUR 2 billion loan
- European Bank for Reconstruction and Development – EUR 500 million loan
- Private banks – EUR 1 billion in a syndicated loan
- Equity financing from the TAP consortium companies and export credit agency contributions – EUR 1.5 billion

Banks

<table>
<thead>
<tr>
<th>Société Générale</th>
<th>France</th>
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<tr>
<td>Advisor</td>
<td>Société Générale was appointed as the TAP project's financial advisor in March 2013</td>
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While Société Générale has been TAP's financial advisor since 2013, no other private banks have so far indicated their intention to get involved in financing for TAP. The project's potential financing structure appears similar to another multi-country export pipeline project, the Baku-Tbilisi-Ceyhan pipeline, which involved a syndicate of 15 commercial banks, including Société Générale, ABN Amro, Citigroup and Mizuho who acted as financial arrangers for EUR 1.2 billion of syndicated loans.

Related companies

Project sponsor

| Trans Adriatic Pipeline (TAP) AG | -international- |

Other companies
<table>
<thead>
<tr>
<th>Company</th>
<th>Country</th>
<th>TAP AG Shareholder</th>
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<tbody>
<tr>
<td>Axpo Holding</td>
<td>Switzerland</td>
<td>5%</td>
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<tr>
<td>BP</td>
<td>United Kingdom</td>
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<td>Enagás</td>
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