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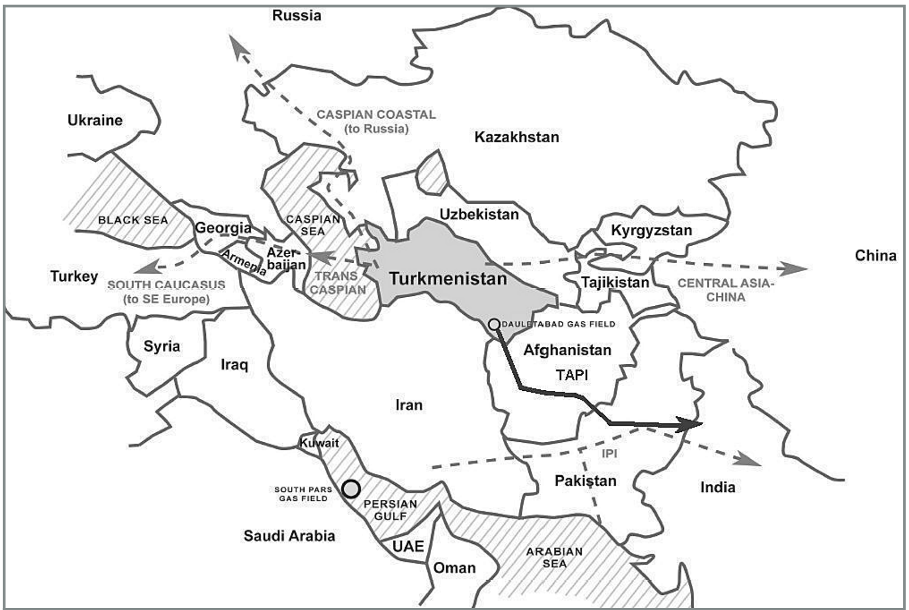
A Proliferation of Pipeline Proposals: TAPI, Nabucco and friends

The EU is gearing up to make the Southern Corridor a reality, bringing gas from the Caspian region to Europe, bypassing Russia, diversifying Europe's supply and increasing its energy security. The much talked-of Nabucco pipeline however faces internal competition from TAP (Trans-Adriatic Pipeline), ITGI (Interconnector Turkey-Greece-Italy), not to mention South Stream (from Russia with love... underneath the Black Sea to Bulgaria). And this is only half of the picture – gas from Azerbaijan, and particularly Turkmenistan, is sought from the East as well as the West.

China has already built one pipeline to Turkmenistan, the Central Asian Pipeline – now the longest gas pipeline in the world, finished just three years after it hit the drawing board - and has another one, forgive the pun, in the pipeline.

In December 2010, Turkmenistan, Afghanistan, Pakistan and India signed a framework intergovernmental agreement for TAPI, an American-backed project that faces the Herculean task of building a pipeline through parts of the Himalayas, Taliban territory in Afghanistan and turbulent tribal areas of Pakistan. TAPI is an extraordinary undertaking, with hugely varying analysis of its real beneficiaries, from Afghanistan's economy, to Europe's energy interests in getting gas shipped from Pakistan's coastal ports, to US influence in central Asia – a new "Silk Road" – and reason for continued NATO presence. Interpretations of its emerging and likely effects also diverge, from bringing peace and prosperity to the region, thawing relations between India and Pakistan via increased interdependence, to obvious terrorist target, or death knell of the proposed Iran-Pakistan-India pipeline, rung triumphantly by a US determined to keep a tight rein on Iran.

There is much uncertainty, but what is clear is that TAPI adds another dimension to the geopolitics of Caspian region gas. This proliferation of pipelines seeking Turkmenistan's gas shows the extent of the demand for it, and if Europe wants Turkmen gas it will have to bid, bribe and beg for it, just like all the other competitors. Europe's bargaining position is now not strong enough to insist on conditions such as better human rights practices or commitment to the Extractive Industries Transparency Initiative (EITI) - an attempt to ensure natural resource wealth benefits all - because Turkmenistan can simply look to China and India, the biggest emerging energy markets



"Proposed Central Asian Gas Pipelines" Map © Canadian Centre for Policy Alternatives

in the world, who won't make human rights the deal breaker.

The high-profile visit of European Commission President Barroso and Commissioner for Energy Oettinger to Azerbaijan and Turkmenistan in January indicates that the EU is happy to go and get the gas, human rights or not. Yet, billed at around €8bn, the opportunity lost by investing such a huge amount in Nabucco, instead of widespread, deep retrofitting of Europe's energy-wasting buildings, or serious investment in renewables, is colossal. Investing €8bn in meeting the EU's 20 per cent energy savings target instead, could save us up to €78 billion annually by

2020, the equivalent of 3.3 million barrels of oil a day, with the technical potential for CO_2 emissions reduction from buildings across the EU estimated at 460 million tonnes per year - more than the EU's total Kyoto commitment. Combined with extensive human rights concerns, locking in such large scale fossil fuel infrastructure at this stage increasingly requires a degree of "doublethink". How can it be commensurate with the EU's priorities of respect for human rights, including in foreign policy, and sustainable development, as part of the fight against climate change?

> *"This proliferation of pipelines seeking Turkmenistan's gas shows the extent of the demand for it, and if Europe wants Turkmen gas it will have to bid, bribe and beg for it, just like all the other competitors."*

Rachel Tansey

A New Source of Government Finance? The Social Impact Bond

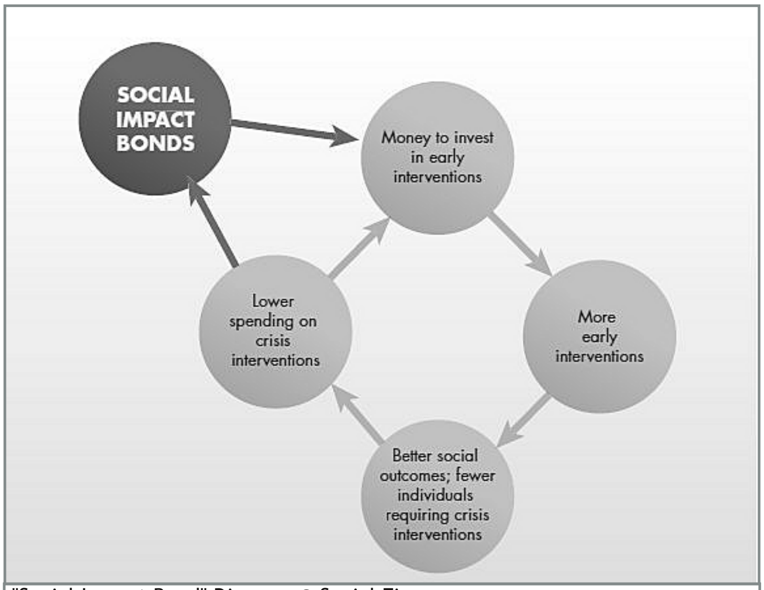
At a time of financial constraints in the public sector in all EU Member States and beyond, the idea of social impact bonds, piloted in the UK, may be seen as an example for others to follow. We therefore examine the role they might play in the provision of services.

In April 2008 a UK consultancy 'Social Finance' announced its launch and intention to develop "an entirely new, social investment asset class". It was to be created by financial services investment experts working with third sector ('voluntary' sector) experts, such as Janette Powell, an expert in providing support to prison leavers in South East England. The first example of this new asset class is the Social Impact Bond which has financed a project to reduce the level of re-offending in Peterborough.

The structure of the bond is simple, in principle. Philanthropists, including the trustees of trust funds, who wish to give money to third sector organisations (TSOs) to finance worthy projects, enter into a contract with a UK Government department, in the case of Peterborough, with the Ministry of Justice. The contract states that if the TSO manages to save the Government money, then the Government will pay back to the philanthropist the money given to the TSO. Depending on how much money is saved, the philanthropist may also receive interest on the sum given to the TSO. If the TSO does not save the Government any or enough money, then the philanthropist is not reimbursed nor awarded any interest payment on the sum given to the TSO.

A moment's reflection will make it clear that the uses of the new bond are extremely limited. The main limitation is that if it is not possible to demonstrate the success of a project as money saved by the Government, then the project will not be suitable for such finance.

Qualitative targets such as reducing misery, generating social cohesion, supporting enlightened law reform or cultural change are simply not going to be relevant to Social Impact Bonds, because it is impossible to show how much they have saved the



"Social Impact Bond" Diagram © Social Finance

Government during a defined time period (such as five years). Alastair Ballantyne, a spokesperson for Social Finance, commented "a key part (of the contracts) is that you have to have a measurable difference, so a comparison between one control group and another" to demonstrate the value of the TSO's work and ultimately the cost saving of its intervention (project). So the further the TSO's work is from directly filling the gaps left by social services and criminal justice services, the less likely it is that the new bond is relevant.

"Qualitative targets such as reducing misery, generating social cohesion... are simply not going to be relevant to Social Impact Bonds, because it is impossible to show how much money they have saved the Government"

Schemes that may be suitable for financing by the new bond include projects working with children in care and trying to raise the level of adoption. This is currently being piloted in Essex and Liverpool. Similarly another pilot project in Manchester addresses "chaotic" families; these are families with a high level of criminal activity and dependency on benefits. The latter has proved difficult to fit into the new bond structure as the cost savings by TSOs potentially involve several Government departments such as social security, education and justice.

Interestingly in countries where the social services are particularly comprehensive and generally accepted as efficient, notably Sweden and France, there is no perceived interest or anticipated demand for social impact bonds. This new financial instrument is really an attempt to address the sketchier provision of early intervention services to deal with social problems, that the countries like the UK, the US and Australia have been less successful in developing.

Projects which directly save the Government money such as vaccination schemes are always, we can assume, going to be publicly funded. What is new about the Social Impact Bond is trying to measure indirect savings to the Government and to help finance project work that the Government could never hope to initiate or manage itself, even though it substantially benefits from their provision.

Renagh Christopher, guest writer

EU Summit Lacks Energy

You would be forgiven for not noticing the first ever EU energy summit on February 4th. Much of it was overshadowed by European finances and global geopolitics, with some EU leaders apparently not making the connection. There is considerable irony here, as I think is illustrated in the quotes below.

The lack of progress on energy-related issues led to an outbreak of frustration in Brussels, the leader of the European Parliamentary Liberals, Guy Verhofstadt, declaring,

> "The EU must urgently formulate a coherent message. It is no good sitting on the fence and waiting to see whether the regime will prevail over the will of the people."

Actually, I lie... that was Verhofstadt reacting to the summit about the unrest in Egypt.

Perhaps German Chancellor Angela Merkel and French President Nicolas Sarkozy, who are usually quite active summit participants, could re-focus the attention onto energy:


Photograph: Sebastian Zwez under Creative Commons

> "We want to strengthen the competitiveness of Europe and its economy. We have agreed on a structural plan to respond to the challenges Europe is facing."

Uh, sorry, that's misleading as well... the summit message from the two biggest economies in the euro-zone actually concerned how to strengthen the European Financial Stability Facility, popularly known as the euro-zone "rescue fund".

Given Europe's spectacular failure to respond in any meaningful way to its pressing environmental, economic and energy challenges, surely some progress was announced during the EU Energy and Innovation summit?

> "Improving energy efficiency in our buildings can create jobs, save money, reduce our dependence on foreign oil, and make our air cleaner. Under the President's plan, by 2020, we will make commercial buildings 20 per cent more energy efficient through cost-effective upgrades."

Woo-hoo, good news at long last! Unfortunately, the president in question is not Barroso or van Rompuy, but President Barak Obama, and his Better Buildings Initiative (a policy initiative completely unrelated to the EU Summit).

Many European politicians seem to understand the environmental, social and economic values of energy efficiency, and say energy savings standards need to be made binding, in the way that CO_2 emission limits and renewable energy generation are. But at least half of the Member States are against it. Behind the scenes, EU diplomats say Member States are wedded to fossil-fuel tax revenue as they attempt to re-grow their economies. But with the price of oil once again over $100 a barrel, high unemployment and record-high food prices, where do they think the growth is going to come from? And to what low-carbon end? After nearly half a decade of preparatory work, of international dialogue, discovery and declarations, our future is still resolutely fossil-fuel based.

> *"A much higher political priority for energy efficiency measures is essential if the EU has any chance to reach a low-carbon future"*

A much higher political priority for energy efficiency measures is essential if the EU has any chance to reach a low-carbon future. The result will be lower energy bills for consumers, the generation of millions of valuable jobs and a massive boost to new innovation in low-carbon industries and services.

We urgently need to develop a new, closer relationship with the energy we use, which will encourage us to value our energy more, and to use it less. Nothing less than a European-wide energy transformation is necessary. What we don't need are more Council summits of continuity.

Paul Parrish

QCEA has a new blog!

Find out more about QCEA's work on sustainable energy security.

Keep up to date with the latest from Brussels, including the work of QCEA's staff.

Take a look at:

qceablog.wordpress.com

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