

# Enron's Pawns

**How Public Institutions Bankrolled Enron's Globalization Game**

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Sustainable Energy and Economy Network

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## About SEEN

The Sustainable Energy and Economy Network, a project of the Institute for Policy Studies (Washington, DC), works in partnership with citizens groups nationally and globally on environment, human rights and development issues with a particular focus on energy, climate change, environmental justice, and economic issues, particularly as these play out in North/South relations.

SEEN views these issues as inextricably linked to global security, and therefore applies a human security paradigm as a framework for guiding its work. The reliance of rich countries on fossil fuels fosters a climate of insecurity, and a rationale for large military budgets in the North. In the South, it often fosters or nurtures autocratic or dictatorial regimes and corruption, while exacerbating poverty and destroying subsistence cultures and sustainable livelihoods. A continued rapid consumption of fossil fuels also ensures catastrophic environmental consequences: Climate change is a serious, emerging threat to the stability of the planet's ecosystems, and a particular hazard to the world's poorest people. The threat of climate change also brings more urgency to the need to reorient energy-related investments, using them to provide abundant, clean, safe energy for human needs and sustainable livelihoods.

SEEN views energy not as an issue that can be examined in isolation, but rather as a vital resource embedded in a development strategy that must simultaneously address other fundamentals, such as education, health care, public participation in decision-making, and economic opportunities for the poorest. And toward that goal, SEEN is working to steer the financial investments of wealthy countries away from support for fossil fuels and toward more socially responsible and environmentally friendly alternatives, while ensuring that the fundamental building blocks of human development are not stripped away. Support for energy efficiency and renewable energy is a key element, together with creating the conditions to meet the needs of the poorest, North and South, in an equitable and democratic manner.

SEEN also provides information resources to a global network of citizens groups, non-governmental organizations, government officials, and the media. Our research focuses on investments made by international financial institutions and government agencies in developing countries and economies in transition--where the largest energy investments will be made in coming decades--as well as in economically disadvantaged regions of the U.S.

For more information, questions, or to become involved, contact us at [enron@seen.org](mailto:enron@seen.org) or visit [www.seen.org](http://www.seen.org).

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## I. Introduction

**Many public officials have described Enron's demise as the product of corporate misbehavior. This perspective ignores a vital fact: Enron would not have scaled such grand global heights, nor fallen so dramatically, without its close financial relationships with government agencies.**

Since 1992, at least 21 agencies, representing the U.S. government, multilateral development banks, and other national governments, helped leverage Enron's global reach by approving \$7.219 billion in public financing toward 38 projects in 29 countries.<sup>1</sup>

The now-fallen giant, until recently the country's seventh largest corporation, marched into risky projects abroad, backed by the "deep pockets" of government financing and with the firm and at times forceful assistance of U.S. officials and their counterparts in international organizations. Enron's overseas operations rewarded shareholders temporarily but often punished the people and governments of foreign countries with price hikes and blackouts worse than what California suffered in 2001, causing social unrest and riots that were sometimes brutally repressed. For example:

- In the Dominican Republic, eight people were killed when police were brought in to quell riots after blackouts lasting up to 20 hours followed a power price hike that Enron and other private firms initiated. The local population was further enraged by allegations that a local affiliate of Arthur Andersen had undervalued the newly privatized utility by almost \$1 billion, reaping enormous profits for Enron.
- In India, police hired by the power consortium of which Enron was a part beat non-violent protesters who chal-

lenged the \$30 billion agreement—the largest deal in Indian history—struck between local politicians and Enron.<sup>2</sup>

- The president of Guatemala tried to dissolve the Congress and declare martial law after rioting ensued, following a price hike that the government deemed necessary after selling the power sector to Enron.
- In Panama, the man who negotiated the asking price for Enron's stake in power production was the brother-in-law of the head of the country's state-owned power company. Rioting followed suspicions of corruption and Enron's price hikes and power outages there, too.
- In Colombia, two politicians resigned amid accusations that one was trying to push a cut-rate deal for Enron on the state-owned power company.

While all this was occurring, the U.S. Government and other public agencies continued to advocate on Enron's behalf, threatening poor countries like Mozambique with an end to aid if they did not accept Enron's bid on a natural gas field. So linked was Enron with the U.S. Government in many people's minds that they assumed, as the late Croatian strongman Franjo Tjudman did, that pleasing Enron meant pleasing the White House. For Tjudman, he hoped that compliance with an overpriced Enron contract might parlay into an array of political favors, from softer treatment at The Hague's War

Crimes Tribunal to the entry of his country into the World Trade Organization.

Only when Enron's scandals began to affect Americans did these same government officials and institutions hold the corporation at arm's length. And only when Enron leadership revealed their greed on home turf did it become the biggest corporate scandal in recent U.S. history.

### Key Findings

After a detailed study of Enron's overseas activities over the past decade, Institute for Policy Studies researchers have reached the following four conclusions:

#### **1. U.S. Government agencies were the largest backers of Enron's activities abroad.**

From 1992 to 2001, U.S. Government agencies — the Overseas Private Investment Corporation (OPIC), Export-Import Bank, Maritime Administration, and Trade and Development Agency — cleared Enron's path with \$3.68 billion in approved support for 25 projects. OPIC is the clear leader in public financing for Enron, approving over \$2.6 billion in risk insurance for 14 projects. Adding to this the U.S. share of financing for multilateral development banks brings the total amount of U.S. taxpayer support for Enron's overseas operations to over \$4 billion.

#### **2. The World Bank Group was an important catalyst of Enron's global expansion.**

The U.S. government wields strong influence over the policies and projects of multilateral development banks (MDBs), particularly the World Bank Group<sup>3</sup>. Despite some reluctance to support several obviously overpriced deals, the Bank did provide \$761 million in support for Enron-related overseas projects from 1992 to 2001. Beyond direct support for specific projects, it also provided Enron an entrée to many develop-

ing countries by pushing its agenda of privatization and deregulation of the energy and power sectors as conditions of further loans. Other MDBs, particularly the Inter-American Development Bank (IDB), also were important financial backers of Enron. The IDB approved slightly less financing (\$752 million) than the World Bank Group from 1992 to 2001.

#### **3. When the World Bank or U.S. taxpayer-backed institutions declined to support an Enron project on financial or political grounds, a raft of other export credit agencies (ECAs) and regional financial institutions eagerly stepped into the breach.**

Enron-related projects obtained support from national and international public institutions that have no ties to U.S. taxpayers. This alphabet soup of ECAs and MDBs — obscure and often-secretive agencies with acronyms like JBIC, CDC, KfW, SACE, EIB, ADC, OND, COFACE, and CIDA — approved \$2 billion toward Enron's global expansion.

#### **4. Enron's collapse calls into question the policy of energy deregulation that Enron, together with its partners in the United States Government, the World Trade Organization (WTO), the International Monetary Fund (IMF) and World Bank, and the private sector have advocated.**

Prodded by the Reagan administration in the 1980s, the World Bank and IMF have been pursuing deregulation and privatization of the power and energy sectors for two decades. Energy deregulation has resulted in the energy needs of the vast majority of citizens—the poorest as well as those in need of power for businesses, hospitals, schools and other public services to function—being routinely sacrificed for private gain. So long as the World Bank, IMF, WTO, U.S. Government and corporations continue to advance this agenda of energy and power deregulation, all signs suggest that future “Enrons” will continue to occur, with devastating public consequences.

## Enron Around the World

Enron is divided into three core operating divisions: Enron Wholesale Services (EWS), including its commodities and trading business; Enron Energy Services (EES), offering energy and facilities management outsourcing to commercial and industrial customers; and Enron Global Services (EGS), the asset-based businesses.

EES filed for Chapter 11 reorganization in December 2001. EWS and EGS as whole entities have not filed for bankruptcy, but constituents within them have either filed (such as Enron Global Markets and Enron Net Works of EWS), or have been sold to other companies (i.e., Northern Natural Gas of EGS has been sold to Dynegy). EGS's assets included pipeline systems located throughout North America and Portland General Electric, the utility serving Portland, Oregon, which was acquired by Northwest Natural from Enron in October of 2001.<sup>4</sup>

Enron also owned wind farms in Iowa, California and Minnesota, although GE Power Systems announced on February 20, 2002, it has signed a deal with Enron to purchase its wind operations. This transaction, which is subject to regulatory and Bankruptcy Court approval, is expected to close in April 2002.

Its European assets include a half share in a Teesside, UK, power plant as well as stakes in plants in Turkey, Poland, Italy, Croatia, and Spain. Wessex Water, its Bristol water company, was thought to be worth \$1.8 billion on September 30, 2001. Enron Wind, with operations in Germany, Greece, Sweden, Spain, and North America, was sold to AES Corporation in January 2002.

In Central America and the Caribbean, EGS has power plants in Panama, Guatemala, Nicaragua, Puerto Rico and the Dominican Republic. It also had gas distribution assets in Puerto Rico and Jamaica.

In South America, EGS owns or has stakes in power plants in Argentina and Brazil; pipelines in Argentina, Colombia, Brazil and Bolivia; and stakes in gas and electricity distribution companies in Brazil and Venezuela. Brazil's Petrobras, the state-owned company, was poised to buy back Enron Brazil assets in January. Petrobras also expressed interest in buying Enron's stake in natural gas pipelines in Bolivia and Argentina. More than half of EGS's assets were located in Brazil.<sup>5</sup>

In Asia, Enron is trying to sell a majority stake in its Dabhol, India power plant, and stakes in plants in the Philippines and China.

## Enron's Global Grab

At least 21 taxpayer-funded institutions, including the World Bank, U.S. Overseas Private Investment Corporation, and the U.S. Export-Import Bank have approved approximately \$7.2 billion for Enron-related projects in the developing world since 1992.



<sup>a</sup>Project type<sup>a</sup> - The above diagram depicts projects for which taxpayer-funded institutions either have approved financing or are considering approving financing. Please refer to the "Project Inventory" for further details.

<sup>b</sup>\$ million<sup>b</sup> - The dollar figures in this column reflect approved financing only.

## Enron's Pawns Timetable

**1973**

Organization of Petroleum Exporting Countries (OPEC) oil price hikes.

**1977**

World Bank begins to invest in oil and gas.

**1981**

Newly elected President Ronald Reagan imposes policy prescriptions as condition of support for World Bank, which includes privatization, deregulation of oil, gas and power markets to increase U.S. access to non-OPEC sources of oil, and increase developing country debt service payments.

**1985**

**U.S.** Enron Corporation is born from the merger between Houston Natural Gas and Internorth.

**1986**

Ken Lay named CEO of Enron.

**1988**

**U.S.:** George H.W. Bush elected president

Former Enron executives Louis J. Borget and Enron Oil treasurer Thomas N. Mastroeni accused of diverting \$142 million in company funds to Panamanian and other offshore accounts between 1985 and 1987, tried in Manhattan civil courts. An Israeli and two Britons are also accused by Enron of participating in the fraud. CEO Ken Lay claims ignorance of activities.

**Argentina:** George W. Bush allegedly calls Argentina's Minister of Public Works Rodolfo Terragno to pressure him to accept Enron's "laughable bid" for gas pipeline.

**1989**

**Argentina:** Newly elected leader of Argentina Carlos Menem accepts Enron bid for pipeline.

**1990**

**U.S.:** Former Enron employees Borget and Mastroeni settle lawsuit, plead guilty of defrauding Enron.

**1991**

**Argentina:** World Bank approves loan to privatize Argentina's oil and gas companies.

**India:** World Bank pushes India to open up to foreign direct investment, particularly in the petroleum sector.

**1992**

**Bolivia:** World Bank finances feasibility study to privatize Bolivia's gas networks.

**Argentina:** OPIC provides \$24-62 million annually in insurance over next four years to Enron's pipeline system in southern Argentina.

**India:** Enron signs memorandum of understanding with India for Dabhol power project worth over \$30 billion over its lifetime, the largest in India's history.

**U.S.** William Jefferson Clinton is elected President.

**1993**

**Guatemala:** Puerto Quetzal Power Co., created by Enron, who is a 50% owner, goes on line in Guatemala. Guatemalan President Jorge Serrano proposes power rate increases of as much as 100%. Demonstrators take to the streets. President declares martial law, threatens to dissolve Congress. When he fails, Serrano flees the country for Panama.

**India:** World Bank declares Enron's Dabhol project financially unviable, refuses to fund project.

**Philippines:** Enron is owner and operator of Batangas and Subic Bay power plants. OPIC provides \$30 million in support.

**Trinidad and Tobago:** OPIC approves \$100 million in insurance (no contract issued) for oil and gas development in fields 95% owned by Enron.

**Venezuela:** Ex-Im, COFACE (France), and SACE (Italy) provide \$290 million in credits and guarantees for natural gas extraction facilities 50% owned by Enron.

**1994**

**Dominican Republic:** World Bank and MARAD approve over \$200 million in support of loan for barge-mounted power plant in Dominican Republic.

**Colombia:** World Bank provides \$30 million toward Promigas pipeline project, of which Enron is the operator.

**India:** OPIC and Ex-Im provide \$600 million in guarantees and financing for Enron's Dabhol power plant. Belgium, Japan and Indian banks provide additional support over next four years.

**Mozambique:** After lobbying by U.S. Embassy officials, World Bank approves loan to privatize Mozambique's gas



fields. Enron beats out other contenders for control of Mozambique's gas fields, plans to build pipeline to power plant in South Africa for steel plant, all of which would receive World Bank financing.

**Philippines:** OPIC, Asian Development Bank provide \$76 million in loans and insurance for Batangas power plant.

**Turkey:** OPIC provides \$295 million toward power plant 50% owned by Enron.

### 1995

**Dominican Republic:** Enron acquires 50% ownership of World Bank-financed power plant in Dominican Republic.

**Nigeria:** Despite global pleas for clemency, General Sani Abacha hangs Ken Saro Wiwa and eight other opponents of oil company drilling on Ogoni land in Niger Delta. World Bank withdraws from Nigeria, together with other export credit agencies.

**Turkey:** Ex-Im provides \$251 million toward power plant 50% owned by Enron.

### 1996

**Argentina:** Enron and CNPC takes over southern Argentina's gas pipeline system.

**Bolivia:** World Bank approves loan as part of largest ever investment package for Bolivia to build a pipeline from Bolivia to Brazil. OPIC adds support to project. Enron is major shareholder in pipeline.

**China:** World Bank provides guarantee to Chinese power plant run by Enron.

**Colombia:** World Bank extends another \$35 million toward Enron-operated Promigas project.

**Dominican Republic:** MARAD provides guarantee for Enron barge in Dominican Republic.

**Guatemala:** World Bank extends guarantee to Guatemalan Puerto Quetzal Power project.

**India:** OPIC provides guarantee for Enron's oil and gas field development. Women protesting Enron's Dabhol project are dragged from their homes, beaten by police paid by power consortium of which Enron is a part.

**Panama:** Export-Import Bank extends guarantee to Bank of Boston for financing sales of gas turbines to Panama's Bahia las Minas power plant, owned by Enron.

**Uzbekistan:** OPIC provides \$400 million to Enron to open up Uzbekistan's gas fields. The project never reaches fruition.

**U.S.:** California's Governor Pete Wilson signs bill to deregulate the state's power sector. Clinton is reelected president.

### 1997

**Brazil:** Liberalization of energy markets begins.

Enron's **Bolivia-Brazil** gas pipeline obtains close to \$1 billion in support from Japanese, European, and multilateral development banks.

**Gaza Strip:** OPIC and World Bank provide \$37 million toward Enron power plant in occupied territories.

**Indonesia:** World Bank provides guarantee to Enron gas-fired power plant in Java

**Nicaragua:** MARAD provides guarantee to Enron power plant.

**Vietnam:** Enron's senior vice president for global affairs testifies before Congress on the need to open up Ex-Im and OPIC financing in Vietnam. Months later, President Clinton revokes ban on government investments in Vietnam, and TDA provides \$.4 million in support of a feasibility study for Enron-related power projects.

### 1998

**Argentina:** IDB provides \$375 million toward Enron's pipeline system.

**Brazil:** OPIC approves \$200 million toward Enron majority owned Elektro, Sao Paolo's utility and another \$200 million toward pipeline project that Enron is involved in from Bolivia.

**Dominican Republic:** World Bank approves loan to privatize Dominican Republic's power sector.

**Panama November:** IFC "guides" Panama in privatizing its power sector. Enron purchases 51% of Panama's Bahias Las Minas power plant, the largest power plant in Central America. Government promises electric bills will be 10% lower for customers in a year.

**Philippines:** Enron obtains \$16 million from OPIC in insurance for Subic Bay power plant.

**Venezuela:** OPIC provides \$400 million in support of natural gas extraction facilities 50% owned by Enron.

### 1999

**Dominican Republic:** Enron is among the companies that rush in for a stake in the DR power sector. Power rates skyrocket, followed by rolling blackouts. Riots ensue. Eight people killed by riot police.

**Panama:** *January* World Bank's MIGA provides guarantee, its first ever in Panama, to Enron's Bahia las Minas plant. Rather than rates falling, they rise shortly after Enron takes control of Bahia las Minas plant, by 12-14%. When distribu-

tion company shuts off power after people refuse to pay higher rates, rioting ensues. Charges of fraud in power purchase deal are alleged.

**Nicaragua:** Enron power plant goes operational, but runs into problems with state-owned grid. U.S. Government officials intervene on Enron's behalf. UK export credit agency provides additional backing to plant.

**Nigeria:** *February:* Despite allegations of vote fraud, Gen. Olusegun Obasanjo is elected Nigeria's President. World Bank, OPIC, Ex-Im begin exploring investment opportunities.

*December:* Enron and AES plan to produce power from gas-fired power plant in Lagos, with aid of OPIC financing, but World Bank intervenes, calling deal too favorable for Enron.

**Colombia:** *October:* Colombian President Andres Pastrana meets with Texas Gov. George Bush and other oil and gas executives, including Enron, to discuss concessions and privatization of the industry.

*December:* Scandal wracks the Colombian legislature, forcing the ouster of two legislators over accusations that one man was pushing a sweetheart deal for Enron on the government.

## 2000

**Dominican Republic:** UK's export credit agency provides support to DR power plant run by Enron. World Bank tells DR to fully privatize its power distribution network, partly owned by Enron, in order to qualify for further assistance.

**Nigeria:** *July:* Nigerian government offers subsidy to Enron/AES power project to get it started.

**Venezuela:** Ex-Im provides \$65 million in support of natural gas extraction facilities 50% owned by Enron.

**Vietnam:** TDA provides another \$92,000 grant for a feasibility study involving an Enron interest in a power plant.

### U.S.:

*November-December:* George Bush declared president by the Supreme Court.

## 2001

### Nigeria:

*March:* Enron's shares in Lagos power plant is sold to AES after government accuses Enron of secrecy and bad faith in contractual obligations. World Bank provides concessional loan to Lagos power plant.

World Bank approves loan to privatize Nigeria's power, telecoms, air transport, and Lagos water sectors.

**Panama:** World Bank's MIGA provides guarantee for Bahia las Minas power plant owned by Enron.

**Dominican Republic:** *June:* President of Dominican Republic pledges to investigate Enron's power "shortages" as cause of blackouts in 1998. U.S. Embassy defends Enron against charges of fraud by DR.

*December:* Investigators into Dominican Republic's power outages learn that the public assets were sold at a price almost \$1 billion lower than they should have been valued. The auditor responsible for the audit of DR's assets: a local subsidiary of Arthur Andersen.

### U.S.:

*January:* George W. Bush occupies the White House. California suffers rolling blackouts as wholesale power prices jump by 266%. Despite an abundance of power, power companies including Enron claimed the rates were in response to power shortages. Gov. Gray Davis signs contract with power producers that lock in \$43 billion in power purchases for the state over the following two decades in order to stabilize rates and avoid further blackouts. Enron is among the companies implicated in creating a false power shortage.

*February:* Enron CEO Ken Lay meets with Vice President Dick Cheney. Cheney's energy task force modifies proposal to include mention of need to boost India's oil and gas production.

*March:* Lay meets with Cheney again.

*April:* Lay gives Cheney a memo outlining his suggestions for how to address the nation's energy needs. Among other things, Lay asks Cheney to hold off on price caps in California. Within weeks of meeting with Lay, Cheney issues a statement opposing price caps.

*April:* Secretary of State Colin Powell raises Dabhol issue in meeting with Jaswant Singh, telling India's foreign minister that "failure to resolve the matter could have a serious deterrent effect on other investors."

*April:* Cheney issues his national energy plan, after consulting with Lay and Enron officials six times.

*June:* OPIC plans discussion of Dabhol power plant "prior to NSC (National Security Council) meeting." India's national security advisor, Brajesh Mishra, invites OPIC President Peter Watson to meet with him at the Indian ambassador's residence to discuss Dabhol project. Vice President Cheney mentions Enron in his meeting with Sonia Gandhi, the president of India's opposition Congress Party. OPIC provides \$190 million loan guarantee to Brazilian power plant sponsored by Enron.

*July:* Judicial Watch issues lawsuit against Cheney's energy task force seeking information on people Cheney met with in

devising his energy strategy.

*July:* “Dabhol Working Group” is created within National Security Council to advocate on Enron’s behalf. Christina Rocca, in charge of Central Asian affairs with the U.S. State Department meets Mishra, speaks to press about Enron.

*August:* U.S. Ambassador to India, Mr. Robert D. Blackwill, meets with Indian Government to discuss Enron situation. Rocca meets with Taliban ambassador to Pakistan. Lay writes article in *Financial Times* threatening India with an end to aid if the Indian government expropriates Enron’s Dabhol project.

*September:* U.S. Trade Representative Robert Zoellick visits India.

U.S. Treasury is told to get the U.S. representative to the World Bank to get the World Bank to express concern to the Government of India over Enron problems.

*September 9:* Senior investment officer at OPIC sends Cheney “talking points” on Enron, with note: “Attached are the Dabhol talking points for the Vice President’s meeting with Foreign Minister (Jaswant) Singh.”

*September 11:* Twin towers of World Trade Center and Pentagon are attacked, over 4000 killed.

*October:* Undersecretary of State for Economic, Business and Agriculture Affairs Alan P. Larson raises Dabhol issue with both Indian Finance Minister Yashwant Sinha and

Mishra and “got a commitment to ‘try’ to get the government energized on this issue prior to the PM’s [Prime Minister’s] visit to Washington on Nov. 9.” Larson requests OPIC give him “one/two bullets for the President [Bush] to use during his meeting with (Indian Prime Minister Atal Bihari) Vajpayee.”

*November:* Email from OPIC investment officer gives OPIC’s talking points on Dabhol for Bush’s meeting with Prime Minister Vajpayee.

*November 8:* Enron discloses it has overstated its earnings by \$600 million, dating back to 1997. E-mail discloses that neither Bush nor his economic advisor Lawrence Lindsay could discuss Dabhol.

*December:* Argentina declares insolvency; Enron declares Chapter 11, files suit for \$200 million coverage with OPIC for Dabhol losses.

## 2002

*January:* U.S. State Department’s Larson mentions Dabhol in Delhi meetings with Indian officials.

*February:* OPIC cancels further disbursement on support for Cuiaba gas pipeline, and Enron project.

*February 22:* GAO sues Cheney for access to information on his meetings in devising national energy strategy.

*March:* Arthur Andersen is charged with obstruction of justice by Justice Department.

## II. The World Bank and Enron: The Making of A Common Agenda

### The World Bank and the OPEC Oil Crisis

The World Bank began to invest in oil and gas in 1977, following on the heels of the Organization of Petroleum Exporting Countries (OPEC) oil embargo and oil price shocks of the 1970s. Former World Bank President Robert MacNamara had even promoted, albeit unsuccessfully, the creation of a World Bank affiliate that would increase investment in oil, gas and coal by \$30 billion over 5 years.

The rationale for this investment was clear: The U.S., an oil- and gas-dependent nation with limited indigenous sources of oil, needed to diversify its sources of non-OPEC oil and gas. Administration officials were concerned that OPEC had a virtual monopoly on the fuels, and could raise prices at whim, sending shockwaves throughout the global economy. The secondary concern, particularly for Northern investors, was the fact that, as oil prices rose, so, too, did developing countries' inability to service their debt. The U.S. worried that these countries, already strapped for cash, would default on their loans.

And so it was just days after former President Ronald Reagan and Vice President George Bush assumed office in January 1981 that their administration began dismantling World Bank conventions and initiatives. Despite the pro-business installation of former Bank of America chairman A. W. (Tom) Clausen as President of the World Bank and his pledge to run the World Bank more like a commercial bank, Reagan officials were alarmed over the Bank's "socialist drift" and ineffectiveness in stimulating oil and gas production for U.S. markets.

### The Reagan Doctrine

According to press reports at the time<sup>6</sup>, after Reagan's first year in office, there was a plan to ensure that World Bank aid recipients open their doors to foreign investors and adopt free market economic policies. If they refused, the U.S. Government, the single largest shareholder in the World Bank, would withhold its support for replenishment of IDA funds—the soft loan moneys disbursed by the World Bank to the world's poorest countries.

One of the first areas to which the Reagan administration turned its attention was the World Bank's investments in the energy sector. The Bank had revealed its intention to increase investments in energy, but the U.S. Treasury wrote that, without deregulation and privatization of the oil and gas industry abroad, such investment would support regimes that were not friendly to private investors and multinational oil companies.

In a July 1981 report entitled, "An Examination of The World Bank Energy Lending Program", the office of the U.S. Treasury's Assistant Secretary prescribed measures the World

Bank should take to encourage private investment in oil and gas development. The report noted that the World Bank played an important role as a multilateral investor, encouraging private investment in projects. However, in order to ensure that these investments were not contributing to the "socialist drift" decried by other Reagan officials, the report strongly suggested that the Bank encourage developing countries to privatize their energy resources—"to remove impediments and adopt policies which foster private sector involvement in energy development."

The report reveals that the U.S. Treasury wanted to increase investment in the oil and gas sector in least developed countries (LDCs) primarily in order to "expand and diversify global energy supplies to enhance security of supplies and reduce OPEC market power over oil prices." The Treasury Department also wanted to ensure that developing countries were able to service their debt payments to private commercial and public banks, rather than lose that money to high oil prices.

The report's authors also reveal their awareness that the U.S. Government was not held in high esteem by many developing countries, and therefore, the Bank's intervention on this issue was desirable:

*...Direct U.S. pressure to improve terms and conditions is likely to be counterproductive in most countries. We are seen as interested parties (as home countries to many affected oil companies) and to be seen as bowing to U.S. pressure would hand a powerful issue to host country government opponents. Where we have a special relationship with an LDC [least developed country], however, we can and should express quiet concern about the impact of restrictive terms and conditions on development of petroleum potential.*

The report's authors noted that the World Bank, perceived as a neutral third party, would be more successful in advancing this agenda than the U.S., at little or no cost:

*To increase foreign private investment in oil and gas development, reduction in average host government tax rates or other policy changes (such as depreciation, accelerated cost recovery, etc.) having a similar effect would be beneficial. Here, the "neutral" stance of the Bank can play an important role. As a multilateral "development advisor," it can help LDCs revise their incentive structure to encourage investment. Recently, as a result of "exploration promotion" projects, including legal review, the Bank has done so (in Madagascar and Equatorial Guinea, for example). Importantly, from a budgetary standpoint, such a Bank program requires*

only minimal funding.<sup>7</sup>

This agenda—of privatizing state-owned oil and gas companies, as well as power suppliers—remained a high priority at the World Bank. But it was not until the 1990s, when the World Bank began to push both power sector deregulation and oil and gas privatization, that the World Bank's and Enron's agendas began to merge, signalling a final, if belated, triumph of Reagan's ideals at the global level.

### The World Bank, India, and Enron in the '90s

The history of the United States' experiments with power and energy supplies over the past century has proven that public, regulated power utilities tend to provide both cheaper and more reliable service than their private counterparts<sup>8</sup>. Unregulated utilities not only tend to impose higher prices on household consumers; they also strip away transparency, accountability, and citizen oversight from their operations. Deregulation has proven disastrous in the United States—with the California energy crisis costing the state billions of dollars. Yet the U.S. is a country that has had decades of government support to develop transmission and distribution networks to urban and rural areas alike. It is no surprise, then, that deregulation would meet with even more problems in a country such as India, where electricity is still considered a luxury few can afford and even fewer have access to, despite several decades of heavily subsidized power production.

Nevertheless, in 1991, India was willing to take desperate measures to attract foreign investors. Capital was fleeing the country, while foreign exchange reserves were low. The World Bank's largest client at the time, India, was getting heavy pressure from the lender to change its policies and allow private capital into certain sectors, particularly its petroleum sector. Prime Minister Narasimha Rao decided to bow to World Bank pressure and allowed foreign direct investment into the country after decades of economic protectionism. Power sector privatization plans drawn up by the World Bank soon followed.

It was shortly thereafter that Enron came calling. Claiming to be one of the "world's leading power companies" (though the company was only six years old and its actual production of power amounted to several hundred megawatts globally), Enron proposed to set up a natural gas power plant in the town of Dabhol, in the western Indian state of Maharashtra. Enron initially proposed to import liquefied natural gas from Qatar for the plant. The size of the Dabhol power plant, 2500 megawatts, would more than double Enron's power production globally.<sup>9</sup>

In the fine print of the memorandum of understanding Enron and General Electric signed with the Maharashtra State Electricity Board (MSEB) on June 20, 1992, was buried the fact that the MSEB would owe Enron \$35 billion over the life of the contract, regardless of how much power the state

consumed. This deal would have been the single largest purchase in the history of India<sup>10</sup>. After learning of the deal, India's other branches of government began to object, and the squabbles began.

Meanwhile, Enron's Ken Lay and former CEO Rebecca Mark began courting the World Bank, lobbying the Bank for support of their Dabhol project in India. Though the Bank refused to support the project, citing the "adverse financial impact" the MoU would have on the MSEB, Enron succeeded in gaining financial backers at OPIC and Ex-Im (see inventory for further details), and elsewhere.

Lay and Mark also succeeded in garnering other favors, including a formal exchange of staff through The World Bank's Staff Exchange Program<sup>1</sup> and other relationship-building exercises<sup>12</sup>. At the 1996 World Bank annual meetings, NGOs observed, poverty and social development were not the focus of the meetings. Instead, they reported, "Special pleadings to the Annual Meeting [were] made by corporate presidents, such as Enron's Ken Lay, not by poor people or their representatives.... Lay and other corporate representatives have also been pleading their case with the U.S. Congress through a task force on MDBs chaired by Senator Bill Bradley and Representative John Kasich."<sup>13</sup>

Though Lay gained access to top officials at the World Bank, he complained that World Bank officials were blocking guarantees for their projects. His efforts paid off here, too—with three MIGA guarantees in 1996, 1997 and 2001, totalling \$80 million, for its power projects in Hainan Island, China, East Java, Indonesia, and Bahia las Minas, Panama.

However, the East Java project, joined at the hip with Suharto, shared the ruler's demise. Enron then filed the first-ever claim to MIGA. In 2000, MIGA paid Enron \$15 million for its political risk insurance claim on the cancelled East Java 500-megawatt (500MW) power plant in Indonesia. MIGA demanded—and received last year—reimbursement from the new Indonesian government, citing the dictates of "international law."

Tim Shorrock, writing in *Asia Times*, explains it this way: "Enron sought to revive (the project), but couldn't reach an agreement with Indonesia's state-owned utility, Perusahaan Listrik Negara (PLN), which argued that electricity demand didn't justify the new plant and that the tariffs - which Enron had negotiated with the Suharto government - were too high. That, of course, went to the crux of the problem: Enron's, and corporate America's, embrace of one of Asia's most authoritarian governments. Yet MIGA fought vociferously to make sure that Enron was paid under its expropriation insurance."<sup>14</sup>

While the World Bank Group—the International Bank for Reconstruction and Development (IBRD), the International Development Agency (IDA), the International Finance

Corporation (IFC), and the Multilateral Investment Guarantee Agency (MIGA) —ultimately provided less than half the financing for Enron-related projects—\$761 million for 12 projects over the last decade—than OPIC, they played a key role in Enron’s global reach in other ways.

### **Deregulation, the World Bank, and Enron**

Deregulation proved to be a more indirect, but extremely helpful, way in which the World Bank advanced Enron’s global agenda. Here is how it worked: The World Bank would issue loans for privatization of the energy or the power sector in a developing country or make this a condition of further loans, and Enron would be amongst the first, and often the most successful, bidders to enter the country’s newly privatized or deregulated energy markets.

The following seven country case studies—of Enron’s activities in Argentina, Bolivia, Colombia, Dominican Republic, Guatemala, Mozambique, and Panama— reveal ways in which the World Bank acted as a pawn for Enron, allowing the corporation entrée into some of the poorest countries in the world. As in Dabhol, India, the changes the two institutions introduced made things worse for the poor; protests and riots—even deaths—ensued, as a result. But in almost all cases, Enron came out unscathed, paying no price in the form of restricted access to future capital, despite a growing list of dubious, and controversial practices.

These case studies are followed by a profile of the other public institutions that supported Enron (section IV) and, finally, an inventory of all Enron projects that received public support (section V) outside the U.S.

### III. Case Studies

#### Argentina

More than half of Enron's \$6.5 billion in overseas assets were found in South America, as of June 30, 2001.<sup>15</sup>

Although Brazil comprised the lion's share of its Latin American investments, Enron had high hopes for Argentina, where privatization was more entrenched and the local currency was pegged to the U.S. dollar.

One of Enron's first forays into Argentina began with a call from former President George Bush's son on Enron's behalf. According to *The Nation*, shortly after his father won the U.S. Presidency in 1988, George W. Bush, Jr., called the Argentine Minister of Public Works, Rodolfo Torragno to pressure him to accept Enron's "laughable" bid for a large pipeline project. Though Enron was rebuffed by Terragno, the successive administration of President Carlos Saúl Menem, leader of the Peronist Party and a friend of former President George H.W. Bush, approved the project.<sup>16</sup> In 1991, while Bush, Sr., occupied the White House, the World Bank approved a \$23 million loan to help Argentina restructure and privatize its state oil and gas companies. Following this liberalization, the IFC "helped mobilize private sector financing for local and international investors in the oil and gas sectors"<sup>17</sup>.

In December 1992, a consortium including Enron and 23 international banks won a bid to own and operate the formerly state-controlled natural gas pipeline system in southern Argentina. Four years later, in 1996, Enron announced that it and CNPC bought out the other partners in the consortium.<sup>18</sup>

Argentina, once the golden child of the World Bank and IMF for liberalizing trade and capital flows declared insolvency in December 2001, around the same time as Enron declared its bankruptcy.

One of Argentina's first requests for aid, when the IMF turned it down, was made of the oil companies. Argentina's president requested a \$1.2 billion "contribution" to the government's empty coffers. In exchange, Argentina would not impose a heavy tax on oil and gas exports—the very policy the World Bank had been trying to universally undo in the 1980s. The oil companies, including Spain's Repsol-YPF, Pan American Energy of the U.S. and Argentina's Perez Companac, agreed to a lower contribution rather than to an annual tax.

As of early March 2002, *Petroleo Brasileiro SA* (Petrobras) of Brazil was said to be eyeing Enron's natural gas assets in Brazil, Bolivia and Argentina. Meanwhile, private banks, including J.P. Morgan Chase & Co., Citigroup Inc., FleetBoston Financial Corp. and other large U.S. banks wrote off more than \$2.7 billion in losses in the fourth quarter

because of Argentina and Enron Corp.<sup>19</sup>

#### Bolivia

*"We are proud to contribute to positioning Bolivia as the natural gas hub of Latin America's southern cone and to the enhancement of the economic integration of the region."*

— *Kenneth L. Lay, chairman and CEO of Enron Corp,*  
May 19, 1997.

The above quote by former Enron CEO Ken Lay exhibits how Enron viewed the agenda of corporate globalization—"economic integration" following privatization and deregulation of key sectors—as part and parcel of their success. This was because Bolivia's participation in a natural gas pipeline with Brazil was of keen interest to Enron. It was also of interest to the World Bank.

In 1992, the World Bank's International Finance Corporation (IFC) provided Bolivia with a loan and equity worth \$2.5 million to study the feasibility of developing a private sector gas pipeline project. Bolivia was creating a network of natural gas pipelines from its gas fields to neighboring countries.

A \$10.6 million loan from the World Bank's IDA for the "capitalization" of Bolivia's state oil company, *Yacimientos Petroliferos Fiscales Bolivianos (YPFB)*, was approved on January 1, 1996, and in December 1996 the company was divided in three; a series of big international oil companies became Bolivia's new partners in exchange for \$835 million. Under capitalization, the corporations and investors acquired a 50 per cent stake in YPFB, and full management control.

In December 1996, Enron was among the private investors that purchased shares of the three new companies: *Transredes*, *Chaco*, and *Adina Sam*.<sup>20</sup> Enron and Shell invested 25% apiece in the transportation sector spin-off, which the new owners named *Transredes*, for \$263 million.<sup>21</sup> *Transredes* owns great lengths of existing pipelines for natural gas (3,000 kilometers) and oil and liquids (2,500 kilometers). *Transredes* also holds a 33% share in the \$1.7 billion, 3,150-kilometer Bolivia to Brazil natural gas pipeline project.<sup>22</sup>

The Bolivia-Brazil pipeline is the largest ever investment in Bolivia. Among Enron's overseas operations, only the Dabhol, India, power plant received more international public financing. In December 1997, the World Bank's IBRD provided a loan of \$130 million and a partial loan guarantee of \$180 million to construct the pipeline to transport gas from Santa Cruz, Bolivia, to Porto Alegre, Brazil, and "support the reform of the gas sector in Brazil to allow an increase in private participation."<sup>23</sup> MIGA provided a \$14.8 million loan guarantee on the project in 1999. And the IBRD increased its support for the project with a \$180 million guarantee for the pipeline on December 12, 2000. As a partial shareholder in the Bolivia to

Brazil pipeline, Enron benefited both from the World Bank's capitalization of Bolivian oil and gas fields and from the World Bank's support of the pipeline.

OPIIC, a U.S. export credit agency which had approved a \$200 million credit toward Enron's construction of a 390-mile pipeline and thermal power project in Brazil, withdrew its support for the project in late February 2002. According to a Bloomberg article, Enron owes OPIIC \$453 million in 5 countries in South America, including Bolivia.<sup>1</sup>

Despite Enron's collapse and OPIIC's withdrawal, another public institution is considering throwing more money at Transredes. On Feb. 14, 2002, the Inter-American Development Bank published a project abstract for a proposed financing of a gas pipeline extension to the fields of southern Bolivia. (See Inventory for further details.)

A special congressional commission has been formed in Bolivia to investigate the legality of Enron's 1994 acquisition of its stake in the Bolivian side of the Bolivia-Brazil gas pipeline, as well as the consequences for Transredes given Enron's bankruptcy. The commission's seven members will hear testimony from current and former executives of YPF as well as government officials, including three former presidents, regarding their involvement in the Enron contract. Opposition parties are using the case as a political campaign issue ahead of June presidential elections.

### Colombia

Although Colombia's energy sector is, for the most part, still publicly-owned, Enron was able to build and operate a gas pipeline in that country through a special contractual arrangement with the government, and with the financial support of the World Bank.

The World Bank approved a \$30 million loan toward the Ballena-Barrancabermeja gas pipeline in 1994, and an additional \$35 million in 1996. The pipeline's owner and operator is Centragas, a company in which Enron has a 50% stake, with the balance held by Tomen Corporation (Japan, 25%) and Promigas, S.A. (Colombia, 25%). Through a Build, Own, Operate and Transfer (BOOT) mechanism, Enron built a 357-mile pipeline that carries gas from the offshore Ballena gas field to a petrochemical complex in Barrancabermeja, central Colombia. Ecopetrol, the Colombian national oil company, is its sole client.

To ensure the security of its Colombian assets, Enron has lobbied in Washington to increase military and other aid to Colombia through Senate Bill 2522, the bill that funded the Plan Colombia. This bill, later signed into law, designated nearly \$1 billion "to support Central and South America and Caribbean counternarcotics activities." Enron is also a member of the U.S.-Colombia Business Partnership, a corporate consortium that promotes U.S. business interests in Colombia (other members include Occidental International Corp. and

BP Amoco).

According to Colombian government documents, in the early 1990s, the energy sector in Colombia was expected to generate a deficit of over \$1 billion for a ten-year period.

Privatization sought to generate the funds needed to pay the debt (around 39% of all public debt at the time) and to finance 50% of the new investments needed to modernize the energy sector. The privatization program began in 1996 with the sale of several electric generation facilities, and by 2001, private companies made up 62% of generation, 44% of distribution, and 30% of new project development. The government hoped to increase that to 75% of generation and 80% of distribution with the sale of ISAGEN, the largest remaining state-owned electric company.

In October 1999, in Houston, Colombian president Andrés Pastrana met with the executives of the principal oil and electricity companies in the United States, coordinated by then governor of Texas, George W. Bush. Pastrana rallied support for Plan Colombia, and promised the major oil and gas exploration concessions and the continuation of the privatization in the power sector. Enron representatives were present at this meeting with President Pastrana and Governor Bush.

Two months later, a scandal erupted in the Colombian Congress when Senator Hugo Serrano accused the Energy Minister, Luis Carlos Valenzuela, of using his political influence to strike a deal with Enron. Under this new deal, Colombia would export natural gas to Enron's power plant in Panama (Bahia Las Minas). This power plant received support from Ex-Im in 1996, the IFC in 1998, and MIGA in 2001.

The World Bank's MIGA appears to have been careless in its work in this case. MIGA earmarked its \$3.3 million guarantee for the Bahia Las Minas power plant to an investor in the plant named Lloyds TSB Bank of Panama, a subsidiary of Lloyds (the London-based insurance and banking empire). We can only assume that MIGA officials did not read the transcript of the Feb. 2001 U.S. Senate investigation on money laundering. One of the banks investigated by Sen. Carl Levin's staff was a Lloyds affiliate named British Bank of Latin America (BBLA), "a small offshore bank that was licensed in the Bahamas but accepted clients only from Colombia.... (and) became a conduit for illegal drug money."

The Senate investigators reported that "BBLA's account statements show a constant stream of large money transfers among BBLA and a handful of Lloyds affiliates, including Lloyds banks in Belgium, Colombia, **Panama**, (emphasis added) the UK and the US." Indeed, in 2000, Lloyds shut down BBLA and its "clients, assets, loans (were) redistributed to other Lloyds banks in Bahamas, Colombia, **Panama** (emphasis added) and the US." And Footnote 268 in the report contains this interesting information: A federal prosecution (United States vs. All Funds in Certain Foreign Bank Accounts Representing Proceeds of Narcotics Trafficking and



Money Laundering, USDC DC Case No. 1:99.CV-03112) seeks forfeiture of about \$295,000 in drug proceeds sent to Lloyds TSB Bank and Trust (Panama).

Presumably, MIGA was unaware of these investigations last year when it decided to back the Lloyds affiliate's investment in the Enron power plant, and it also must have missed the burgeoning scandal in Colombia over Minister Valenzuela's pact to ship gas to the plant. Senator Serrano claimed that the deal would also have profited Valenzuela's former employer -- investment bank and project promoter Corporacion Financiera del Valle (Corfivalle) -- which owned 14% of Promigas. Ecopetrol President, Carlos Rodado Noriega, who later resigned over the disagreement, refused to sign the Memorandum of Understanding with Enron because he felt it was not in the best interest of the country. Enron was to receive exclusive rights to Colombia's gas exports at very low prices. Colombia would not be able to export gas, other than that bought by Enron. Although Valenzuela denied the charges, he resigned shortly thereafter.

### Dominican Republic

In 1990, through the National Electric Sector Development Law (Ley 14-90), the Dominican Republic opened its doors to independent power producers, to help it generate additional power for the country.

On July 22, 1994, the World Bank's IFC approved a \$132.3 million loan, and a year later, an additional \$1.5 million currency swap, in support of a 185-megawatt combined-cycle power facility mounted on a barge at Puerto Plata. The barge-mounted power plant was owned by Enron's subsidiary, Enron Global Power & Pipelines, which acquired the parent company's 50% share in the barge power plant in 1995.<sup>24</sup> "The power project is expected to be immediately additive to earnings, cash flow and earnings per share in 1996," trumpeted Rodney Gray, chairman, of Enron Global Power & Pipelines.

In December of 1996, the U.S. Maritime Administration provided a \$50 million guarantee toward two Enron power barges for this project.<sup>25</sup>

In January 1998, the World Bank's IBRD approved a \$20 million loan to privatize the country's power sector. The goal, said the World Bank, was to open up the power sector to private companies, through reforms at the state agency, *Corporacion Dominicana de Electricidad (CDE)*. The IBRD wrote: "The project's overall objective is to support power sector reform by establishing a competitive bulk supply market for electricity. Specifically, the project seeks to lift transmission constraints that hinder open access of publicly as well as privately owned power generators."

When the government privatized its power sector, Enron (along with several other firms) rushed in to buy a stake in the generating capacity of the Dominican Republic, while

AES and Union Fenosa of Spain bought into the distribution networks. The CDE continued to own and operate the country's power transmission companies. Shortly after the private corporations took over, rates for electricity skyrocketed by 51-100% or more. Consumers refused to pay the higher rates, and ultimately forced the government to absorb most of the tariff increase. This resulted in the government paying around \$5 million per month to the power companies, a sum it was unable to sustain. By October 2001, it had accumulated a debt in the power sector of \$217 million, of which 55.3% was owed to private companies<sup>26</sup>. The mounting debts in turn caused Enron and others to turn off the power, with blackouts sometimes lasting as much as 20 hours, affecting hospitals, businesses, and schools. By early 2001, widespread frustration with the situation triggered protests, some of which turned violent after police clashed with demonstrators. At least eight people died in the protests, including a 14-year-old boy.

In a situation with similarities to California, shortages were originally blamed on private power generators, which at the time of the crisis were only supplying 392,000 of the 815,000 kilowatts they were capable of producing. The electricity issue also sparked a confrontation between the Dominican government and the U.S. Embassy, after the former accused the Smith-Enron joint venture of outright fraud for failing to deliver its promise to generate at least 175 megawatts a day.<sup>27</sup> After privatization of the CDE, power rates had more than doubled and government payments and subsidies (now to private companies) had tripled. After months of negotiation between the government and the power companies, an agreement was finally reached in October 2001 in Madrid, Spain. However, further privatization of the CDE (the remaining transmission companies) has been mentioned as a possible option for a cash infusion for the government. In April 2000 it was reported that CDE, the state power company partially owned by Enron, would privatize electricity transmission in order to comply with World Bank requirements for assistance<sup>28</sup>.

Officials of the current and previous administration have been publicly trading responsibility for the chaos in the electricity sector. In June 2001, the President of the Dominican Republic announced that the contracts awarded during the privatization of the power sector would be investigated. A report by a special commission for the Dominican Senate claimed that the assets of the CDE were undervalued by \$907 million, resulting in the CDE's sale for 42% of its value<sup>29</sup>. Suspiciously, the accounting firm that executed the market value appraisal, Ortega & Asociados, is Arthur Andersen's "local representative" in the Dominican Republic. In January 2002, sparked by the allegations surrounding Enron and Arthur Andersen, the Dominican newspaper, *El Nacional*, revealed the connection between the two accounting firms. Representatives of Ortega & Asociados were questioned about their involvement in the CDE privatization and Enron's

operations. Although they have denied any wrongdoing, in a letter to the newspaper they stated that, "This job [referring to the CDE privatization] was done by our professional Dominican staff, with the collaboration of Andersen, given its knowledge and experience in privatization and capitalization of public companies in Latin America".<sup>30</sup>

Enron's contract in the Dominican Republic expires in 2015.

### Guatemala

Until 1992, the state-owned *Instituto Nacional de Electricidad* (INDE, National Institute of Electricity) held more than 83 per cent of the capacity serving Guatemala's power supply requirements. The remainder was owned by the *Empresa Eléctrica de Guatemala S.A.* (EEGSA, the Guatemala Electricity Company), of which the government was majority owner. Transformation of the power sector began in January 1993 when EEGSA signed a 15-year power purchase agreement (PPA) with Enron to build the 110 MW Puerto Quetzal thermal plant that began operations in 1993. Consisting of two barges loaded with 10 diesel-fired generators, the \$92 million project was partly financed by the IFC, which approved a \$20 million direct loan as well as a \$51 million syndicated loan toward this, the first privately-financed power project in Central America. Power from the project is sold to EEGSA.

The power company, Puerto Quetzal Power Corp., was created by Enron, who initially owned 50%, in addition to operating the plant and serving as fuel supplier. King Ranch Inc., a U.S. company with energy and agribusiness interests, owned the other 50%. In 2000, the U.K.'s Commonwealth Development Corporation (CDC) acquired 25% ownership of the project. The project also gained support from the U.S. Maritime Administration (MARAD), which financed guarantees on the power barge construction in 1994 and 2000

In addition to the IFC, the U.S. Overseas Private Development Corporation (OPIC) in 1992 granted a \$73 million guarantee towards this project, and in 2000, OPIC extended a loan for \$50 million to expand the capacity of the plant from 110 MW to 234 MW.

Shortly after it began operating, the complaints against Enron began. According to reports at the time: "(T)he Attorney General [of Guatemala] reported that U.S.-owned Enron Power has not paid any of the estimated \$14 million it owed the Guatemalan government for its electrical generation plant in Puerto Quetzal. The Guatemalan government collects less than half the revenues owed it, and it is estimated that two-thirds of businesses, like Enron Power, pay no taxes at all."<sup>31</sup> In 1996, the IFC extended an additional \$700,000 guarantee to the project. In 1997, Enron's plant was supplying 15% of Guatemala's energy. In September 2000, Enron requested and was granted permission from MARAD to change the registration and flag of the barges from Guatemala to Panama, which is known world-wide for its lax and favorable terms on

vessel registration.

When the power sector began its transformation process in 1993, President Jorge Serrano proposed an increase in electric rates to support a market-based electric power industry. The increases in consumer rates, which totaled as much as 100 percent for some customers, were part of the principal complaints of the demonstrators who took to the streets in Guatemala City during the spring of 1993. President Serrano responded to the unrest by declaring martial law, and attempting to dissolve the Guatemalan Congress. His attempt to take control of the government by decree failed when he was unable to win the support of the military. President Serrano subsequently fled the country, and the rate increases were suspended.<sup>32</sup> He is currently in exile in Panama.

The privatization process continued, with Guatemala's 1996 electricity law (Decree 93-96) effectively liberalizing the power sector. The law placed no limits on foreign ownership of companies interested in providing service in the electricity sector. EEGSA was fully privatized in July 1998, when 80 percent of its assets were bought by a consortium formed by Teco Power Corporation of the U.S., Iberdrola Energia, S.A. of Spain and Electricidad do Portugal, S.A. of Portugal.

### Mozambique

In June 1994, the World Bank's IDA provided \$30 million toward the privatization of Mozambique's Pande gas fields. The World Bank began to act as a broker, encouraging government officials and private investors to develop Pande, claiming that the gas fields were expected to lead to gas exports to South Africa worth \$150 million annually. The privatization deal followed intensive lobbying by U.S. embassy officials on behalf of Enron. In October 1994, Enron did in fact beat out Sasol (S.Africa) and PlusPetrol (Argentina) for control of the Pande gas field. Enron also hoped to invest in another field, Pemane, but, according to Africa Energy & Mining, "the authorities... don't want the country's entire gas production to fall into the hands of a single company."

"Elements of the embassy did a bit of lobbying for the company, which I find a bit strange, because this is a commercial agreement," Mozambique's Minister of Energy Resources, John Kachamila told the New York Times. He added that he was "told that other aid to Mozambique might be in jeopardy if this agreement was not signed."

"It was a little more nuanced than that," an unnamed Clinton administration official told the New York Times. "It is difficult to say we should give Mozambique \$40 million a year, if it's going to take an opportunity for a \$700 million project and not do it."<sup>33</sup>

Enron wanted to build a \$700 million, 900-kilometer pipeline from the Pande field to a direct reduced iron (DRI) steel plant in South Africa. According to Africa Energy & Mining magazine, "With the help of the Mozambican government, Enron

began to negotiate with state-owned Industrial Development Corporation (IDC) to construct a 2.5 billion rand (\$573m) DRI plant in South Africa's Northern Province. But AEM understands that Enron irked IDC by trying to push it into a quick decision."<sup>34</sup>

### Panama

According to the U.S. Embassy in Panama, the IFC is "guiding" the state power monopoly, *Instituto de Recursos Hidraulicos y Electrificacion* (IRHE), "in the privatization process, including preparation of the tender documents."<sup>35</sup> The IFC announced "the restructuring and privatization of Panama's state-owned electricity company (IRHE)" in a Nov. 18, 1998, press release. In Jan. 1999, Enron International acquired a majority stake in the *Bahia las Minas* power plant, as part of the government of Panama's privatization of its power generation and distribution assets. Enron won the company with a bid of \$91.7 million.<sup>36</sup> The *Bahia las Minas*, Colon, power plant is the largest thermal power plant in Central America. MIGA provided a \$3.3 million guarantee on the plant in January 2001, its first ever in Panama.

Shortly after the plant began to operate, allegations of corruption around the Enron deal emerged; members of the Legislative Assembly called for an investigation. Among the charges: The company that obtained the power plant contract, Enron International Panama, SA, was constituted just 10 days before the public auction that resulted in its acquisition of 51% of Bahia Las Minas. One of the board members, Juan Raul De La Guardia, of Enron International Panama, SA—who also executed the company's incorporation—is the brother-in-law of the former director of IRHE, Fernando Aramburu Porras, and the individual responsible for privatizing the power plant as president of the Commission responsible for selling the State's public electric companies.

Less than a year after Enron took over the plant, electricity rates shot up, and people took to the streets, in protest. People in several neighborhoods in Panama City protested the price increases by blocking major streets; anti-riot police were sent in but no violence occurred.

## IV. The Pawns: Public Institutions and the Globalization of Enron

*“(P)ublic finance agencies are the only reliable sources of the financing that is essential for private infrastructure projects in developing countries.”*

—Enron CEO Lay, congressional testimony, 1995.

*“...I do have concerns with respect to the extent of business Ex-Im and OPIC have done with the Enron corporation over the past 10 years, and the apparent inability of Ex-Im or OPIC to detect the inherent flaws in Enron’s management structure that led to unwarranted cash bonuses to executives who used the taxpayers, United States taxpayers, as guarantors of their risky undertaking. All three agencies before us today enjoy almost complete autonomy from congressional and executive branch oversight when it comes to responding to specific proposals from the private sector... I cannot fathom frankly how both Ex-Im and OPIC could have been so misled over such an extended period with respect to the Enron corporation.”*

—U.S. Rep. Nita M. Lowey, (D-NY), ranking member, House Committee on Appropriations, March 7, 2002

Enron became a global giant as a consequence of the systematic dismantling of regulatory systems at home and abroad. Domestic political relationships facilitated Enron’s national grip at home; overseas, Enron acquired pipelines, transmission lines, and power plants thanks to strong-armed diplomats and the coffers of export credit agencies and multilateral development banks. After the World Bank pried open developing countries’ energy sectors as conditions on further loans, other agencies stepped in and helped Enron obtain the most lucrative assets and contracts. Since 1992, at least 21 institutions, representing the U.S. (leading the way with over \$3.6 billion), Japanese, German, British, Belgian, French, Italian, and Canadian governments, and the European Union, have approved \$7.2 billion in financing toward overseas projects in which Enron had substantial involvement.

### U.S. Overseas Private Investment Corporation (OPIC)

Enron and OPIC’s interests have become entwined. Enron is one of OPIC’s top clients, although the agency tends to downplay this relationship and stress that it finances projects, not corporations.<sup>38</sup> Our research reveals that, from 1992 to the end of 2001, OPIC had approved \$2.6 billion in finance and insurance for 14 Enron-related fossil fuel projects.<sup>39</sup>

While OPIC has remained a loyal partner to Enron, lobbying Congress and foreign governments on the corporation’s behalf, Enron has proven a fair-weathered friend in return. Enron moved its business to other countries’ overseas development agencies and manufacturers when OPIC’s congressionally mandated prohibitions meant it could not provide it with backing. In 1997, Linda F. Powers, senior vice president for global finance at Enron International, told a House subcommittee, “If programs like OPIC were not available, we would have no choice but to move our sourcing to other countries where financing is available.”

Ms. Powers underscored that point by citing more than \$1.4

billion in real-world examples, current or prospective Enron projects in China, Pakistan and Vietnam, where OPIC programs were not available for U.S. foreign policy reasons. In those countries, she said, Enron plans to use German, Japanese and French equipment and export credit agencies for those projects.<sup>40</sup>

Her testimony reflected the views of Enron CEO Kenneth Lay, who in 1996 said that Congressional efforts to cut funding for OPIC and Ex-Im “will change our strategy.” He said the company would shift its procurement to other countries, like Germany, Japan, and Korea, “whose governments understand the benefits of expropriation insurance, financing and other things that make companies competitive.”<sup>41</sup>

Lay presented his international financing paradigm to a congressional panel in 1995. Citing shortfalls in OPIC and Ex-Im lending capacities, Lay warned: “We prefer to use all-U.S. sourcing as much as possible, as we have well established working relationships with our fellow U.S. firms, we share the same approach and experience base, and we believe U.S. firms are world class in these areas... However, we can only source in the U.S. to the extent sufficient financing is available here.”<sup>42</sup>

In recent months, on Enron’s behalf, OPIC has aggressively demanded action from the Indian government to resolve Enron’s claims on the Dabhol power plant. (See Inventory for further details.)

### U.S. Export-Import Bank

Ex-Im and Enron are also well acquainted with one another. Over 10 years, Ex-Im has provided \$825 million in support of five Enron-related projects around the world. Enron officials have served on the Export-Import Bank Advisory Committee for at least the past two years. The committee “helps Ex-Im Bank formulate policies and programs by providing input from various sectors of the economy.” In 2001, Enron Global Assets’ chairman and CEO Rebecca A. McDonald sat on the committee “representing production.” In 2000, Enron Corp.

Vice Chairman W. Sutton held that seat.<sup>43</sup>

### U.S. Maritime Administration

The lesser-known U.S. government agency, the U.S. Maritime Administration (MARAD), has played a smaller but still significant role in Enron's fortunes around the world. Between 1994 and 2000, MARAD financed the construction of seven power barges at U.S. shipyards for Enron's power projects in three Latin American countries: Dominican Republic, Guatemala, and Nicaragua. The total amount of loan guarantees for Enron's power barges: \$232.3 million.<sup>44</sup>

William Schubert—the MARAD administrator appointed by President Bush in 2001—previously worked as a maritime consultant. Among his clients: Enron, from whom he was paid over \$5,000, according to a disclosure filing.<sup>45</sup>

### U.S. Trade Representative

The U.S. Trade Representative works very closely with OPIC and Ex-Im in advancing U.S. business interests abroad. The related U.S. Trade and Development Agency hired Enron to conduct at least eight fossil fuel feasibility studies. The agency issued \$3.5 million in grants toward Enron's examinations of a wide range of projects, mainly in Central Asia and Eastern Europe, regions that the Clinton and Bush administrations have targeted for oil and gas exploitation. The new U.S. Trade Representative—Robert Zoellick—was a member of Enron's advisory board at the time of his nomination.<sup>46</sup>

### Other U.S. Envoys for Enron

Enron relied on government officials to advance their agendas on a number of fronts. The Argentine example of George W. Bush calling Argentine Public Works Minister Terragno is perhaps the most notorious; however, it was only one in a series of interventions made by U.S. Government officials on behalf of Enron, up until its final days before declaring bankruptcy.

For example:

- U.S. embassies in the Philippines and India helped Enron win power deals there while U.S. Ambassador Frank Wisner headed those offices from 1991 to 1994. Ambassador Wisner joined Enron's board of directors in 1997.<sup>47</sup>
- In 1994, Enron won a major stake in a Mozambique gas field after heavy lobbying by U.S. embassy officials.
- In 1995, with the deal apparently in jeopardy, President Clinton's National Security Advisor, Anthony Lake, reportedly held up a \$13.5 million aid package, implying in a letter to Mozambican President Joaquim Chiassano that it was contingent upon affirmation of the Enron deal. President Chiassano acquiesced.

- A Commerce Department official, at a 1999 briefing, credited Clinton administration officials Ron Brown and Mickey Kantor with a \$175 million deal for Enron in Croatia. The official called the pact "the direct results of Secretaries Brown and Kantor's hard work over the last several years."<sup>48</sup> News reports at the time suggest that the late Croatian President Franjo Tudjman allegedly agreed to the lucrative power plant pact with Enron in an attempt to appease his Western critics who were eager to see him tried at The Hague for war crimes.<sup>49</sup> Croatia eventually scuttled the Enron deal after Tudjman's death.
- In 2001, U.S. officials from Vice President Dick Cheney on down have intervened on Enron's behalf in pleadings with the government of India over the Dabhol debacle.

These and other relationships are detailed further in the inventory that follows.

## Lofty friends

Lay, Enron's chief ambassador to the government, found friends in both the Clinton and Bush administrations, as he explained in a May 22, 2001, interview<sup>9</sup> with PBS Television's Frontline:

**Q. Now you went into the White House to talk to people about this, right? You're in the formulation of the national strategy, is that correct?**

A. I had two or three meetings with various people in the White House on the whole issue of energy policy, and that did include some discussion about, in fact, the interstate transmission grid, and how we thought it could be made to operate more efficiently.

**Q. The vice president says he met with you.**

A. He did.

**Q. He says he knows you well and you're friends. You helped him build a stadium. What's that all about?**

A. The stadium<sup>1</sup>, I'm not sure how important that is, but I have known Vice President Cheney for a number of years, both from his previous government experience as well as when he was CEO of Halliburton. ...

**Q. Did you meet with the president and speak with him about energy policy?**

A. I did not. I've been in a couple of meetings with other CEOs where he's asked questions about the general economy or commented on it, but I have not had any separate meeting or private meeting or telephone conversation with the president about it.

**Q. It isn't true that you're the closet secretary of energy?**

A. I am not the closet anything. ... This administration has some very, very capable people, particularly in the energy area, starting with the secretary of energy but also people like Dick Cheney and Don Evans as well as the president himself. ...

**Q. When we interviewed Vice President Cheney, I asked him, "Had you met with any CEOs of any energy companies in the preparation of a national energy policy?"**

A. ... Over the years, Vice President Cheney and I have worked on different issues together. We also served on the American Enterprise board of directors for several years, and of course that institute takes up many energy, natural resource and other issues. And I'm flattered that he decided to meet with me and at least hear me out as to some of the things that I thought were pretty important that should be considered for his report.

**Q. You understand when people read this in the newspaper ...**

A. I think you need to keep in mind also, for better or for worse, we had a lot of access in the Clinton administration. Certainly [former Secretary of Energy Bill] Richardson called on me and Enron on a number of occasions to at least discuss different energy matters, [I] was asked a few times even by then-Chief of Staff Mack McLarty about various energy matters, and [former Treasury Secretary Robert] Rubin on other matters. As a major energy company in the country doing a lot of international business too, we have a lot of reason to, in fact, talk with different officials in our government just like they have many reasons to talk with us. (emphasis added)

## Other Institutions

While U.S. agencies were the primary source of Enron's overseas support (\$3.68 billion, or 51% of the total support), almost half of taxpayer-funded support flowed from other institutions. Five agencies of the World Bank, regional development banks, and a host of export credit agencies in Europe, Canada, and Japan, approved \$3.54 billion in financing toward Enron-related projects.

The role played by non-U.S. export credit agencies (ECAs) may be higher than what this report describes. Export credit agencies outside the United States are notoriously non-transparent. Few publicize specific projects. Most of the information in this report about their activities has been obtained from alternative sources, including other international financial institutions, corporate reports, and news articles. These taxpayer-financed institutions are rarely accountable for their spending sprees. Competition between different countries' ECAs is fuelling a "race to the bottom" against which a global network of organizations is campaigning.<sup>52</sup>

The cumulative support by individual institutions is described below, beginning with the most significant known contributors to Enron's globalization. Further details may be found in the Inventory section of this report.

### Inter-American Development Bank (IDB)

The IDB, to which the United States is a major contributor, has been one of Enron's biggest supporters. The regional development bank has approved \$751.5 million in financing toward Enron-related gas pipelines in Argentina, Bolivia, and Brazil, and a power plant in Mexico. Incredibly, the IDB is currently considering additional financing (\$125 million) toward an expansion of a pipeline in Bolivia in which Enron is a major investor.

### European Investment Bank (EIB)

The EIB — the European Union's long-term financing institution — approved \$493 million toward Enron's investment in an Italian power plant, and \$60 million toward the Bolivia to Porto Alegre, Brazil, gas pipeline. The bank also provided indirect support for Enron when it approved a \$78 million package for a 1,000MW power project in Santa Rita, Philippines. Enron was not a developer of that project, but it did hold the plant's fuel supply contract. EIB is also considering a \$35 million contribution toward an electricity transmission system in Macedonia in which Enron has an interest.

### Asian Development Bank

According to an Enron filing with the Securities and Exchange Commission in 1997, the Asian Development Bank supported its Batangas power plant with a \$26.4 million loan.

### Andean Development Corp.

The Andean Development Corporation (Corp. Andina de Fomento, CAF), headquartered in Caracas, Venezuela, is an international financial institution comprised of national government shareholders (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Peru, Jamaica, Mexico, Panama, Paraguay, Trinidad and Tobago, and Venezuela) and 22 private banks in the Andean region. It backed the Bolivia to Porto Alegre, Brazil, pipeline with a \$165 million package in 1997.

### European Bank for Reconstruction and Development

The European Bank for Reconstruction and Development considered supporting a lucrative power deal for Enron in Croatia, but ultimately, the Croatian government backed out of a tentative pact. The EBRD had another near-brush with Enron in Uzbekistan, where it supports the Fergana refinery. As in Croatia, a tentative agreement between the Uzbek government and Enron collapsed.

### Japan

Enron has been big in Japan. Japanese export credit agencies approved \$433.4 million in financing toward the Dabhol, India, power plant debacle, and are now trying to recoup their investments. Japan also bankrolled hundreds of millions of dollars of financing toward a pipeline from Bolivia to Porto Alegre, Brazil.

### United Kingdom

The Commonwealth Development Corporation, recently renamed CDC Capital Group, is a foreign investment arm of the UK government. It boasted of growing ties to Enron in its 1999 annual report, noting its expansion into numerous power plants in the Caribbean basin: "This expansion has widened the range of our close business relationships to include a number of players in the power sector such as Enron, Coastal, Duke, CMS and Cogentrix of the U.S.A., Ormat of Israel and Ireland's ESBI."<sup>53</sup>

CDC, as far as can be determined, is involved in more Enron-related projects than any other non-U.S. ECA. It is an investor in two power plants in the Dominican Republic, one in Guatemala, and one in Nicaragua. The value of the Nicaragua and one Dominican Republic investments exceeds \$104 million. It could not be determined from CDC's reports the value of its sizeable shares in the Guatemala and other Dominican Republic plant.

Intriguingly, three of these four projects also received guarantees from the U.S. Maritime Administration for the construction of power barges (see above).

Another U.K. ECA – the Export Credits Guarantee Department (ECGD) – has provided Enron with indirect assistance. The ECGD provided political risk insurance of an unknown value to the 500MW San Lorenzo power plant in the Philippines. Enron, which is not an investor, holds the fuel supply contract for this plant.

### Germany

In 1997, the German government's Kreditanstalt für Wiederaufbau (KfW) approved a \$150 million loan toward Enron's Cuiaba project, which involves building a gas pipeline from Bolivia to a new power plant in Cuiaba, Brazil. KfW also is considering financing two other Enron projects: a "Solar Thermal" plant in India (\$135 million), and a transmission line project in Macedonia (\$21 million). KfW indirectly supported Enron through a \$190 million loan to the Santa Rita power plant in the Philippines, to which Enron supplies fuel.

Two other German ECAs: Hermes Kreditversicherungs AG and Bundesgarantie für Kapitalanlagen im Ausland, also have indirectly supported Enron, through unknown amounts of export credit financing and political risk insurance for the San Lorenzo power plant in the Philippines.

Unnamed German government institutions were also involved in the Puerto Plata, Dominican Republic, power project.

### Italy

Italian agencies (SACE and Mediocredito Centrale) have supported Enron's investments in Bolivia, Brazil, Italy, and Venezuela. SACE (Sezione Speciale Per l'Assicurazione Del Credito All'Esportazione) contributed a significant, but undetermined, portion of a \$346 million Japanese/Italian export

credit assistance package for the Bolivia to Porto Alegre, Brazil, gas pipeline. Mediocredito Centrale was a co-arranger, along with ABN-Amro and CIS, of syndicated loans totalling \$1.2 billion for Enron's Sarlux power plant in Italy. In 1993, SACE approved \$40 million in financing toward a gas plant being built in Venezuela.

### Belgium

The Office National du Dueroire (OND) of Belgium is stuck with at least one bad investment with Enron. In 1999, OND approved a \$90.8 million export credit toward the Dabhol power plant in India. While the U.S. and Japanese governments are pressing the Indian government to reimburse their investments in Dabhol, it is not known whether Belgium is doing the same.

### France

The French government's COFACE Group supported Enron's investment in the Accro gas plant in Venezuela with \$90 million in finance in 1993. In a December 4, 2001, press release, COFACE briefly noted that its "maximum risk on Enron is Euros 3 million" (a little more than \$3 million).<sup>54</sup>

### Canada

The Canadian International Development Agency helped to open Bolivia's economy to major investments by Enron. In a joint \$12.3 million program with Petro-Canada, CIDA supported the privatization of Bolivia's oil and gas sector. Enron subsequently took a major stake in the spun-off Transredes oil and gas pipeline company.



## V. Summary Tables

### ENRON OVERSEAS PROJECTS SUPPORTED BY TAXPAYERS, 1992 to PRESENT

by Sustainable Energy and Economy Network

Institute for Policy Studies

March 2002

Based on the SEEN database at <http://www.seen.org/db>

*Total national and multilateral approved support for Enron-related overseas projects since 1992: \$7.219 billion*

**Table 1. Official finance for overseas projects benefiting Enron  
Institutions  
U.S.\$millions approved since 1992**

Country	WBG	Others	OPIC	Ex-Im	Tot.	Enron role
Argentina-gas pipeline	—	375(g)	167.6	—	542.6	23% pipeline owner
Bolivia-oil/gas privatizatn	10.6	12.3(d)	—	—	22.9	25% pipeline owner, operator
Bolivia-Transredes extsn	—	(125)(c,g)	—	—	(125)	25% pipeline owner, operator
Bol/Brazil-Cuiaba gas	—	150(o)	200	—	350	project sponsor (50% owner)
Bol/Brazil-PAlegre gas	324.8	811(l)	—	—	1135.8	pipeline investor (>18%)
Brazil-Elektro	—	—	200	—	200	majority owner
Brazil-Rio power plant	—	—	190	—	190	project sponsor
Bulgaria-Bulgargaz study	—	0.3(q)	—	—	0.3	conducted study
Caspian Region-pipeline	—	1.2(q)	—	—	1.2	conducted two studies
China-Hainan power plt	16.7	—	—	—	16.7	owner/beneficiary(100%)
China – wind turbines	—	—	—	15+	15+	supplier/beneficiary
Colombia-gas pipeline	65	—	—	—	65	operator, owner (38%)
Croatia-Jertovec pp	—	(r)	—	—	—	pact abandoned
Dom.Rep.-Haina pp	—	74+(h)	—	—	74+	in consortium
Dom.Rep.-P.Plata pp	133.8	99+(k)	—	—	232.8+	in joint venture
GazaStrip-Gaza pp	15	—	22.5	—	37.5	33% owner
Guatemala-P.Quetzal pp	0.7	98+(p)	123.8	—	222.5+	37.5% owner
India-Dabhol pp	—	524.2(n)	391.8	302	1218	>80% owner
India-Oil and gas prod.	—	—	200	—	200	30% owner
India-SolarThermal pp	0.8(+49)	(114)(c,o)	—	—	0.8(+163)	project sponsor
Indonesia-EastJava pp	60(f)	—	—	—	60	project sponsor, abandoned
Italy-Saras pp	—	—	493(m)	—	493	45% owner
Macedonia-Elec transmsn	—	0.3(+56)(b)	—	—	0.3(+56)	conducted study
Mexico-Vitro pp	—	136.5(g)	—	—	136.5	project sponsor

Country	WBG	Others	OPIC	Ex-Im	Tot.	Enron role
Moz.-Pande gas field	30	—	—	—	30	owner, beneficiary
Nicaragua-Corinto pp	—	80(j)	—	—	80	35% owner
Nigeria-Power privtzn	100	—	200	—	300	plant developer
Pakistan-Enpak pp	(60)(c)	—	—	—	(60)	100% owner, abandoned
Panama-B.Minas pp	3.3+	—	—	60	63.3+	51% owner
Philippines-Batangas pp	—	26.4(a)	112.9	—	139.3	100% owner
Philippines-SubicBay pp	—	—	16.3	—	16.3	50% owner
Russia-Volgograd gas	—	0.3(q)	—	—	0.3	conducted study
Trin&Tob-oil/gas fields	—	—	100(e)	—	100	95% owner
Turkey-Marmara pp	—	—	295	251.5	546.5	59% owner
Uzbekistan-gas fields	—	0.5(q)	(400)	—	0.5(+400)	conducted study
Venezuela-Accro plants	—	130(i)	400	197.3	727.3	50% owner
Vietnam-Craft iron	—	0.4(q)	—	—	0.4	in partnership, inactive
Vietnam-Soc Trang pp	—	0.5(q)	—	—	0.5	project sponsor
<b>TOTALS</b>		<b>760.7</b>	<b>3012.9</b>	<b>2619.9</b>	<b>825.8</b>	<b>\$7,219,300,000</b>

WBG – World Bank Group (includes International Bank for Reconstruction and Development, International Development Association, Multilateral Investment Guarantee Agency, and the International Finance Corporation)

OPIC – U.S. Overseas Private Investment Corporation

Ex-Im – U.S. Export-Import Bank

Others – See notes below

(a) Asian Development Bank

(b) U.S. Trade and Development Agency approved a \$0.3 million feasibility study conducted by Enron. KfW and EIB are considering financing the transmission lines' construction.

(c) Proposed; not yet approved

(d) Canadian International Development Agency

(e) Approved, but no contract issued as of July 2001

(f) In 2001, Indonesian government paid out Enron \$15 million insurance claim to MIGA

(g) Inter-American Development Bank

(h) CDC Group (formerly Commonwealth Development Corporation, U.K.) is an investor in this power project.

(i) COFACE (France, \$90 million) and SACE (Italy, \$40 million)

(j) U.S. Maritime Administration guaranteed a \$50 million loan; in addition, Commonwealth Development Corporation (UK) purchased a 30% stake of this plant for \$30 million.

(k) U.S. Maritime Administration guaranteed two bond issues (\$84 million total), and "British and German development finance institutions" provided \$15 million in assistance, according to the World Bank. CDC is also an investor.

(l) Inter-American Development Bank (\$240 million), European Investment Bank (\$60 million), Japanese and Italian ECAs (\$346 million), Andean Development Corp. (Corp. Andina de Fomento, CAF, a regional development bank, \$165 million)

(m) European Investment Bank (EIB); also, Mediocredito Centrale (Italy) was a co-financier of syndicated loans.

(n) Japanese Bank for International Cooperation (JBIC, formerly Japan Export-Import Bank, \$258 million), Japanese Ministry of International Trade and Industry (MITI, \$175 million), Office Nationale du Dueroire (OND, Belgium, \$90.8 million)

(o) Kreditanstalt für Wiederaufbau (KfW, Germany)

(p) U.S. Maritime Administration; also, CDC took 25% stake in Puerto Quetzal (value unknown).

(q) U.S. Trade and Development Agency

(r) European Bank for Reconstruction and Development considered, but never approved, financing for this project.

n/a Not available or not applicable

**Table 2. U.S. tax dollars earmarked for Enron's overseas projects**

<b>Institution</b>	(\$US million) <b>Total finance</b>	<b>US govt%<sup>55</sup></b>	(\$US million) <b>Equivalent US govt financing</b>
OPIC	2619.9	100%	2619.9
ExIm	825.8	100%	825.8
MARAD	232.3	100%	232.3
IDB	751.5	30%	225.5
IBRD/IDA	466.4	14%	65.3
IFC	199.5	24%	47.9
MIGA	94.8	15%	14.2
TDA	3.5	100%	3.5
ADB	26.4	13%	3.4
<b>Total</b>	<b>\$5220.1</b>	<b>n/a</b>	<b>\$4,037.8 million</b>

## V. Inventory of Export Credit Agency and Multilateral Development Bank financing for Enron's overseas projects

For more information, visit the SEEN interactive database at <http://www.seen.org/db>.

### Argentina

#### *Transportadora de Gas del Sur (TGS gas pipeline)*

Overseas Private Investment Corporation (OPIC, U.S.) \$53.6 million insurance approved	1992
Overseas Private Investment Corporation (OPIC, U.S.) \$62.6 million insurance approved	1993
Overseas Private Investment Corporation (OPIC, U.S.) \$24 million insurance approved	1994
Overseas Private Investment Corporation (OPIC, U.S.) \$27.4 million insurance approved	1995
Inter-American Development Bank (IADB) \$375 million finance approved	1998

Enron's role: In December 1992, a consortium including Enron, Citicorp, Perez Companc, and 21 international banks won a bid to own and operate the TGS, the formerly state-controlled natural gas pipeline system in southern Argentina. In 1996, Enron announced that it and Perez Companc bought out the other partners in the consortium. OPIC approved insurance packages for TGS in four consecutive years (1992-1995), totalling \$167.6 million. In 1998, the Inter-American Development Bank approved up to \$375 million in financing toward expansion and improvements in the TGS pipeline system.<sup>56</sup> As of September 1997, Enron's temporary spin-off, Enron Global Power & Pipelines L.L.C., owned one-third of Compania de Inversiones de Energia S.A (CIESA), which in turn held 70% of Transportadora de Gas del Sur S.A. (TGS).<sup>57</sup> For more information, see Case Studies section of this report.

### Bolivia

#### *Bolivia hydrocarbons privatization*

International Development Association (IDA) \$10.6 million approved	1996
Canadian International Development Agency (CIDA) \$12.3 million approved	1997

Enron's role: In December 1996, Enron was among those private investors purchasing shares of the three new companies (Transredes, Chaco, and Adina Sam) that resulted from the fracturing of Bolivia's state oil company Yacimientos

Petroliferos Fiscales Boliviano (YPFB). Enron and Shell invested 25% apiece in the transportation (pipeline) sector spin-off, which the new owners named Transredes, for \$263 million. On May 19, 1997, Enron CEO Kenneth Lay said: "we are proud to contribute to positioning Bolivia as the natural gas hub of Latin America's southern cone and to the enhancement of the economic integration of the region."<sup>58</sup>

The Canadian International Development Association (CIDA), in an effort parallel to a World Bank IDA hydrocarbons privatization program, helped to spark YPFB's capitalization. As a Petro-Canada website explains, the government of Bolivia "with the assistance of Canadian advisors, successfully completed the capitalization of YPFB and the transfer of oil and gas development to private sector companies."<sup>59</sup> For more information, see Case Studies section of this report.

### Bolivia

#### *Transredes gas pipeline extension (southern Bolivia to Rio Grande), additional investment*

Inter-American Development Bank (IDB) \$125 million loan proposed	2002-02-14
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Enron's role: Undeterred by Enron's bankruptcy, on Feb. 14, 2002, IDB produced a project abstract for a proposed scheme to support an extension of the Transredes gas pipeline system, which Enron and Shell jointly control. The regional development bank is considering a \$125 million loan package toward a pipeline that would run from the gas fields in southern Bolivia, north to Rio Grande, Bolivia, where it would join the existing Bolivia-to-Brazil mega-pipeline.<sup>60</sup>

"The project considered by the Bank consists of the financing of the Transredes S.A. ... 2001-2004 investment program to maintain and expand its delivery capacity of gas from Bolivia for exports to Brazil, and also to accommodate growth in demand for the delivery of both gas and liquids in the Bolivian market," reads the IDB project abstract.<sup>61</sup>

Also on Feb. 14, 2002, Transredes chief executive Steven Hooper said that the pipeline company planned to place a \$155 million bond for an expansion program.<sup>62</sup>

The Brazilian state oil company Petrobras is boosting its presence in Bolivia, building pipelines including a gas pipeline from Yacuiba to Rio Grande. This would run near the planned route of the Transredes pipeline under IDB consideration. The Guarani and Weenhayek indigenous tribes have raised environmental concerns about pipeline proposals in this region.<sup>63</sup>

Petrobras also is considering buying Enron's stakes in Transredes and in Argentina. Shell, however, reportedly holds a right of first refusal on Enron's Transredes interests and does not welcome Petrobras' interest.<sup>64</sup>

### **Bolivia/Brazil**

*Gas Oriente Boliviano pipeline, 340MW power plant (Ipias, Bolivia to Cuiaba, Brazil)*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$200 million credit approved	1999-03-09

Kreditanstalt für Wiederaufbau (KfW, Germany)	
\$150 million loan approved	1997

Enron's role: Enron is the lead sponsor and 50% shareholder in the pipeline project. Despite protests by environmental groups<sup>65</sup>, OPIC approved a \$200 million credit for Enron to build a 390-mile pipeline to supply natural gas from Ipias, Bolivia, to Cuiaba, Brazil, where the company is building a 480MW thermal power plant. In February 2002, however, OPIC withdrew its support for the project.

In addition to OPIC's \$200 million credit, the German ECA, Kreditanstalt für Wiederaufbau, provided the balance of foreign aid for Enron's Cuiaba power station. The Brazilian development bank, BNDES, also subsidized the Cuiaba plant.<sup>66</sup>

The "Enron" pipeline to Cuiaba is an off-shoot of a sprawling Bolivia-Brazil pipeline network backed by the World Bank and many other MDBs and ECAs.

The 430MW Cuiaba plant has been operating since 2001 at 240MW and Enron just recently began (March 7, 2002) its \$570 million expansion of the Cuiaba integrated electricity project (which includes the Cuiaba plant).<sup>67</sup>

### **Bolivia/Brazil**

*Bolivia-Brazil pipeline  
(Santa Cruz, Bolivia to Porto Alegre, Brazil)*

International Bank for Reconstruction and Development (IBRD)	
\$130 million approved	1997-12-17

International Bank for Reconstruction and Development (IBRD)	
\$180 million approved	2000-12-20

Multilateral Investment Guarantee Agency (MIGA)	
\$14.8 million approved	1999

Inter-American Development Bank (IDB)	
\$240 million approved	1997-12-17

Japan and Italy Export Credit Agencies	
\$346 million approved	1997

European Investment Bank (EIB)	
\$60 million approved	1997

Andean Development Corp. (Corp. Andina de Fomento, CAF)	
\$165 million approved	1997

Enron's role: Enron's involvement in this \$1.7 billion, 3,150-km Bolivia-Brazil pipeline project was two-fold. It had a stake in Gas Transboliviano (GTB), a consortium owning Bolivian portions of the pipeline, as well as in Transportadora Brasileira Gasoduto Bolívia (TGB), the consortium owning the Brazilian portions.<sup>68</sup> Enron reportedly owned 30% of GTB and 7% of TBG in 1998.<sup>69</sup>

Industrial, not household, markets consume the vast majority of the pipeline's gas. According to a study by the Brazilian Ministry of Mines and Energy, in 2001 there were 20 million people living in mostly rural areas of Brazil, without access to basic electricity.

Not only does the pipeline encroach upon ecologically sensitive areas that include the world's largest wetland (the Pantanal), the Gran Chaco subtropical dry forest, and the Mata Atlantica Rainforest, but the pipeline and associated access roads reach isolated, indigenous communities.

Though the Bank was supposed to conduct a comprehensive Ecological Assessment and an Indigenous People's Development Plan, consultations with affected communities and concerned civil society groups took place only after construction began and after it was demanded.

As far as can be determined, even though no U.S. agency provided direct support, this pipeline attracted more IFI and ECA (over \$1.1 billion) financing than any Enron-related project except Dabhol. Export credit agencies, led by the Japan Export-Import Bank and Italy's SACE and Mediocredito Centrale, combined for \$346 million in assistance. Four multilateral development banks (the World Bank, Inter-American Development Bank, the Andean Development Corp., and the European Investment Bank) combined for a whopping \$765 million in support.<sup>70</sup> The Brazilian national development bank, BNDES, funded hundreds of millions of dollars in subsidies toward the project, much of which was related to the foreign ECA support. For more information, see Case Studies section of this report.

### **Brazil**

*Elektro power privatization*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$200 million insurance approved	1998

Enron's role: In July 1998, advised by J.P. Morgan Chase,<sup>71</sup> Enron acquired majority voting rights in Elektro Electricidade e Servios, a Sao Paolo utility, for \$1.273 billion, outbidding 17 other companies and consortia for the newly privatized company. In early 1999, it announced that it would double its stake in Elektro, now Enron's largest investment in Brazil. In 1997, this unit had net sales of \$720 million and 10,300 gigawatt hours. Enron was also interested in the to-be-privatized Brazilian gas utility, Comgas, and in building two thermal power plants with a combined capacity of 1350MW.<sup>72</sup>

**Brazil**

*Rio 379MW gas-fired power plant-*

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Overseas Private Investment Corporation (OPIC, U.S.)  
\$190 million insurance approve 2001-06-19

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Enron's role: In 2001, OPIC approved \$190 million for a loan guarantee to Sociedade Fluminense de Energia. This is a proposed Enron project to construct and operate a 379MW gas-fired power plant near Rio de Janeiro.<sup>73</sup> According to OPIC, "Sociedade Fluminense de Energia is building the plant pursuant to an agreement with Petrobras, the Brazilian state-controlled oil and gas company" and "Enron Commercializadora de Energia, a subsidiary of Enron Corporation, will sell the plant's output."<sup>74</sup>

Citing the Rio power plant and other investments, *Oil Daily* noted in a recent article, "Some analysts question why Enron spent so much money in Brazil, particularly considering that many of the investments — such as seven of the nine gas distributors — made no money." The daily newsletter added that "many of these Enron-backed projects in Latin America never amounted to much, prompting accusations that they too were used as tools for Enron's shadowy accounting practices."<sup>75</sup>

A *Project Finance* article had a different take on Enron's Brazilian power plant investments: "Word at the beginning of the year [2001] was that in the middle of the rationing crisis and electricity shortages, Enron made money hand over fist."<sup>76</sup>

**Bulgaria**

*Bulgargaz feasibility study-*

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U.S. Trade and Development Agency (TDA)  
\$0.3 million grant approved 2000-01-20

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Enron's role: On Jan. 20, 2000, the TDA made a \$276,000 grant to Bulgargaz EAD for a "feasibility study on the expansion of the Chiren underground gas storage and the establishment of a natural gas information system in Bulgaria."<sup>77</sup>

According to the TDA, Bulgargaz itself "will be restructured, beginning with a period of deregulation in 2002 that will culminate in full privatization by 2005."<sup>78</sup> The total cost of this study (\$548,000) will be shared by Enron as well as the Sarkeys Energy Center at the University of Oklahoma and other consultants.

**Caspian Region**

**(Turkmenistan-Azerbaijan-Georgia-Turkey)**

*Trans-Caspian Gas Pipeline*

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U.S. Trade and Development Agency (TDA)  
\$0.75 million grant approved 1998-07-29

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U.S. Trade and Development Agency (TDA)  
\$0.43 million grant approved 1999-10-26

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Enron's role: In July 1998, the government of Turkmenistan hired Enron to conduct a TDA-financed feasibility study for the proposed Trans-Caspian Gas Pipeline (TCP), a 1,680 kilometer pipeline that crossed the Caspian Sea, from the Shatlyk deposit in eastern Turkmenistan to Azerbaijan, and then through Georgia, to the port of Erzurum, Turkey. The proposal was submitted by Enron six months later in January 1999, with an estimated cost of \$2.4 to \$2.8 billion.

Later that year, TDA awarded Enron another grant, this time to conduct a natural gas master plan study in Azerbaijan. At a contract signing ceremony in Washington, D.C., with Natiq Aliyev, President of the State Oil Company of Azerbaijan (SOCAR), TDA director J. Joseph Grandmaison announced that the TDA was "pleased to provide this assistance... reinforc[ing] the Administration's commitment to the Trans-Caspian Gas Pipeline project." Although these two TDA contracts were designed to spur the pipeline's development, the U.S. Export-Import Bank is supposedly the "main hope of the Trans-Caspian participants."<sup>79</sup> In addition to the TDA funding, Enron reportedly contributed \$325,000 in resources and expertise to the effort.

Human Rights Watch's global overview for 1999 deemed the U.S. Government's policy towards Turkmenistan the year's "most blatant example" of how governments subordinate "human rights to the promotion of commercial and strategic interest." According to the report, in spite of the fact that the Turkmen government under Saparmurad Niyazov "continued to deny its citizens their civil and political rights, . . . rely[ing] on a powerful, Soviet-style secret police to do so, pipeline politics continued to dominate bilateral relations between Turkmenistan and the U.S. government." The report is clear to state that the U.S. was "the most forceful proponent" of the proposed pipeline, in spite of the reports of human rights abuses, an approach that implied, the authors wrote, that the U.S.'s "commitment to international human

rights protection [could] be set aside where geopolitical and energy interests [were] concerned.”

While U.S. Secretary of Energy Bill Richardson touted the trans-Caspian pipeline, Dr. Pirguli Tangrikuliev, who opposed the project, “was sentenced to eight years imprisonment. . . for purported ‘abuse of office.’ Only a few days after the sentencing, Richardson, accompanied by John Wolf, the special advisor to the president and Secretary of State for Caspian Basin Energy Diplomacy, as well as J. Joseph Grandmaison, the director of the U.S. TDA, met with President Niyazov to discuss the proposed pipeline and make a \$150,000 U.S.TDA grant so that the “Turkmen government could ‘formulate documents’ related to the project.” Though the U.S. government did issue a condemnation of Tangrikuliev’s sentencing and imprisonment, they did not do so until three days after Richardson left Turkmenistan on August 23, 1999.<sup>80</sup>

According to the Department of Energy, “the future of the project is uncertain” because “negotiations between Turkmenistan and the international consortium backing the project have stalled over payment and price issues, and PSG, the co-operator of the project with Royal Dutch/Shell, closed its office in Turkmenistan in October 2000.”<sup>81</sup> Also, Azerbaijan and Turkmenistan have been unable to reach agreement on their respective allocations for shares of the pipeline. Turkmenistan offered Azerbaijan 30% but Azerbaijan wants at least 50%, and may proceed with an independent pipeline deal with Turkey.

### China

#### *Hainan Island 150MW diesel power plant*

Multilateral Investment Guarantee Agency (MIGA)	
\$16.7 million guarantee approved	1996

Enron’s role: A \$16.7 million guarantee was made to Netherlands’s Atlantic Commercial Finance, B.V., a wholly owned subsidiary of Enron, “for its equity investment in a 160-megawatt combined cycle diesel power plant on the east coast of Hainan Island, China.”<sup>82</sup> In 1996, after the plant became operational, Singapore Power signed an agreement with Enron for a 50% stake in the plant. This power plant was the first built, own operate, transfer deal for a power plant in China. In February 2002, Enron announced it was selling all of its assets in China, but did not specify how its shares in the Hainan Island plant would be handled.

### China

#### *Wind-turbine projects*

U.S. Export-Import Bank (Ex-Im)	
\$15 million+ loans approved	1996, 1997

Enron’s Role: In June 1996, Ex-Im approved three loans, \$3.7 million each, to three wind power projects in China to be supplied by Zond Systems, a then-independent California wind developer. Enron Wind bought Zond in Jan. 1997. Later in 1997, Ex-Im increased these loans to a range of \$5 to \$20 million each. The project backed the supply of wind turbines for use in wind farms in Inner Mongolia, Liaoning Province, and Nan-Ao Island in Guangdong Province.<sup>83</sup>

Though the projects in China were relatively small in scale, Enron Wind has invested extensively in other countries including Turkey, China and Venezuela<sup>84</sup> and played a role in projects in North America, Germany, Northern Ireland, Greece, Mexico, as well as Korea.<sup>85</sup> Enron Wind filed for Chapter 11 bankruptcy protection on February 22, 2002, and announced that it would sell its wind turbine manufacturing assets to General Electric. This sale does not affect Enron-owned or -operated wind farms.<sup>86</sup>

### Colombia

#### *Centragas gas pipeline*

International Finance Corporation (IFC)	
\$30 million loan/syndication approved	1994

International Finance Corporation (IFC)	
\$35 million loan/syndication approved	1996

Enron’s role: In December 2001, Enron owned 50% of Centragas, with the balance held by Tomen Corp. (Japan, 25%) and Promigas (Colombia, 25%).<sup>87</sup> Centragas’ asset is a 357-mile gas pipeline that carries gas from the offshore Ballena gas field to a petrochemical complex in Barrancabermeja, central Colombia. Ecopetrol, the Colombian state oil company, is its sole client. To ensure the security of its Colombian assets, according to PSIRU, Enron has lobbied in Washington to increase military aid to Colombia.<sup>88</sup>

In a recent *Oil Daily* article, an unnamed source described as someone “involved with Enron’s project negotiations in Colombia and Venezuela” charged: “They abused the mechanism [of setting up special-purpose entities] to hide debt, generate income, and pay commissions that were not always ethical.”<sup>89</sup> For further details, see Case Studies.

### Croatia

#### *Jertovec 240MW power plant*

European Bank for Reconstruction and Development	
(financing never approved)	(1999)

Enron’s role: In 1997, Enron and the Croatian government, under the late president Franjo Tudjman, agreed to an independent power project in Jertovec, Croatia. Originally, the

Croatian energy utility Hrvatska Elektroprivreda (HEP) agreed to buy the output at a fixed price for 20 years, a contract that was valued at \$1.6 billion. Tudjman apparently “had hoped [the contract] would help persuade the U.S. government to be friendlier to his policies” and, more significantly, “to take the pressure off Croatia at the war crimes tribunal in The Hague.”<sup>90</sup> Though the European Bank for Reconstruction and Development considered financing the project in 1999, it never met with approval.<sup>91</sup> After the contract between Enron and HEP turned out to be economically infeasible, a new agreement was drawn up in August 2000 that allowed “Enron to build the [power plant], but at their own risk, without any guarantee of purchase from HEP.”<sup>92</sup>

**Dominican Republic**

*Haina 660MW power plants*

Commonwealth Development Corporation (CDC, UK)	
\$74 million equity approved	2000

Enron’s role: Enron, in a consortium with Seaboard and UK government’s Commonwealth Development Corp. (CDC, UK agency), bought out the newly-privatized Empresa Genadora de Electricidad (Haina) in 1999. The CDC played a leading role in the consortium, “moun[ting] a successful \$145 million bid to acquire 50% of the shares in the generation company Empresa Genadora de Electricidad Haina (Haina), . . . subsequently tak[ing] management control,” and “adding further generating capacity in anticipation of being able to sell power into a UK-style power pool.”<sup>94</sup> In 2000, CDC’s stake in Haina Investment Company was raised by \$74 million, making them “the largest shareholder in the consortium with 13% of total equity.”<sup>95</sup> In 2000, 100MW of new generating capacity was added to the power plant, followed by a proposal of 225MW more in 2001.<sup>96</sup>

**Dominican Republic**

*Puerto Plata 185MW oil-fired power plant*

International Finance Corporation (IFC)	
\$132.3 million approved	1994-07-22
International Finance Corporation (IFC)	
\$1.5 million approved	1995-06-12
U.S. Maritime Administration (MARAD)	
\$34.3 million guarantee approved	1994-08-08
U.S. Maritime Administration (MARAD)	
\$50 million guarantee approved	1996-12-22
Commonwealth Development Corp. (CDC, UK)	
Investor since at least 1999	

Enron’s role: The Smith-Enron Cogeneration Limited Partnership owns this power project which is mounted on three barges. The U.S. Maritime Administration approved guarantees toward the barges’ construction in 1994 and 1996.<sup>97</sup> The U.K. overseas investment agency, Commonwealth Development Corporation holds a investment stake in this power project. No information is known about the size of CDC’s investment.<sup>98</sup>

For further information, see Case Studies section.

**Gaza Strip**

*Gaza 136MW diesel/gas-fired power plant*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$22.5 million insurance approved	1999-07-12

International Development Association (IDA)	
\$15 million loan approved	1999-08-31

Enron’s role: In 1999, OPIC and the World Bank backed power sector privatization in Gaza Strip, including an Enron proposal to build a 136MW diesel/gas-fired plant. OPIC approved \$22.5 million in insurance for procurement of turbines and other equipment from Asea Brown Boveri for the power plant. IDA, the World Bank agency, approved a \$15 million loan to the Palestine Electric Co. and the Palestine Liberation Organization for energy sectoral reforms. Members of the consortium of the Gaza power plant include Enron (33.3%), Palestine Electric Co (33.3%), and a consortium of Palestinian commercial and institutional investors (33.3%).<sup>99</sup>

Although U.S. officials learned that a key investor in the plant had links to the Saudi bin Ladin Group, the Saudi Arabia construction company founded by the father of the international terrorist, Osama bin Laden, they were not deterred.<sup>100</sup> The project moved forward until late 2000, when violence in the region forced the halt of construction. There is no target date set for completion.

**Guatemala**

*Puerto Quetzal 110MW diesel, 125MW gas-fired power plant*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$73.8 million insurance approved	1992-07-05

Overseas Private Investment Corporation (OPIC, U.S.)	
\$50 million insurance approved	2000-03-21

International Finance Corporation (IFC)	
\$0.7 million approved	1996

U.S. Maritime Administration



\$25 million guarantee approved	1994-05-11
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U.S. Maritime Administration (MARAD)	
\$73 million guarantees approved	2000-09-21
<hr/>	
Commonwealth Development Corporation (CDC, UK)	
25% equity stake approved	2000-10

Enron's role: Enron held 37.5% stake in this power plant, with the balance held by Centrans Energy Services (37.5%) and the UK government's Commonwealth Development Corporation (25%).<sup>101</sup> Not long after the plant began operation, in 1993, the Guatemalan government accused Enron of not paying back the \$14 million it owed the government. Despite this accusation, in 1994 the U.S. Maritime Administration (MARAD) approved a guarantee for the construction of two power barges by McDermott. Six years later, in 2000, MARAD funded another guarantee – to build one power barge by Cascade General (Portland, Oregon) – for Puerto Quetzal Power LLC (PQP).<sup>102</sup>

For further information see Case Studies section.

### India

#### *Dabhol 2,184MW gas-fired power plant*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$300 million insurance approved	1994
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Export-Import Bank of the United States (Ex-Im)	
\$302 million loans approved	1994
<hr/>	
Overseas Private Investment Corporation (OPIC, U.S.)	
\$91.8 million insurance approved	1999
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Japanese Export-Import Bank	
\$258.2 million finance approved	1999
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Ministry of International Trade and Industry (MITI, Japan)	
\$175.2 million finance approved	1999
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Office National du Ducroire (OND, Belgium)	
\$90.8 million export credit approved	1999

Enron's role: The Dabhol plant, a liquefied natural gas-fired power plant in the coastal region of Maharashtra state, was constructed in two phases.<sup>103</sup> Though the project was originally signed in 1993,<sup>104</sup> Phase I construction began much later, in late 1996, after being stalled by what the World Bank called “a difficult beginning.”<sup>105</sup> When Phase II construction finally began in 1999, Enron increased its ownership of the project from 80% (Phase I) to 100%. Though Phase II was “due to

be commissioned in 2001,” in June 2001 — after Enron failed to pay the main contractors on the project (General Electric and Bechtel) for two months worth of work — both contractors stopped working.<sup>106</sup> The plant is presently idle.<sup>107</sup>

Such trouble perhaps should not have come as a great surprise. For even at the beginning, there were concerns about “the high cost of power which was to be purchased by the state, allegations of corruption in the setting up of the project, the procedure regarding granting official clearance for the project, lack of consultation of affected people, the allocation and distribution of compensation for those displaced, [and] environmental destruction.”<sup>108</sup>

A 1998 investigation by Human Rights Watch indicated that there were grave cases of human rights violations “carried out on behalf of the state's and the company's interests” though the majority of protests by villagers were peaceful.<sup>109</sup> Not only were there major environmental and social repercussions, but the contract for the project was “considered to be [perhaps overly] generous to Enron, . . . the company promis[ing] to invest \$3 billion which would be repaid with a tariff on electricity charges that was set at such a high level the company would receive \$26 billion in return.”<sup>110</sup>

Enron overcame the World Bank's reticence to support the Dabhol project. National export credit agencies approved over \$1.2 billion in financing, more than any other Enron-related project. The largesse began in 1994, when OPIC and U.S. Ex-Im boards approved \$602 million toward Phase I construction. OPIC executive vice president Christopher Finn, in 1995 testimony before a U.S. House of Representatives committee, hailed the Dabhol power projects: “Enron Corporation... is improving the port and road facilities to help bring in its heavy equipment, as well as building a school and a hospital for its workers.”

For Phase II, OPIC approved an additional \$91.8 million. Japan weighed in more heavily. When financing closed in May 1999, Japanese agencies committed \$433.4 million. Belgium's Office National du Ducroire added a \$90.8 million export credit for commercial banks involved in the arrangement.<sup>111</sup>

Four Indian government institutions (the Industrial Development Bank of India, the State Bank of India, the Industrial Finance Corp., and ICICI) guaranteed the various ECA packages, and now, U.S. and Japanese government officials are demanding that they provide compensation for the collapsed project.

### India

#### *Enron India oil and gas developments*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$200 million insurance approved	1996

Enron's role: In Feb. 1994, the consortium of Enron Oil & Gas India Ltd. and Reliance Industries Ltd. (RIL) won a 25 year lease on the Mukta-Panna oil and gas fields formerly held by the national Oil and Natural Gas Commission (ONGC). Enron and Reliance both took 30% stakes in the fields, with ONGC holding a minority 40% share.

This privatization, noted one Indian article, "was in response to the wishes of the World Bank — which the Government and the ONGC approached for loans in 1991 — that India decided to open up oilfields for development through indigenous and foreign private sector participation."<sup>112</sup>

Another observer called "the privatization and subsequent sale of oil and gas fields in India to big business houses and transnational corporations" an "oily scam.... a classic example of privatization of profits and nationaliation of losses."<sup>113</sup>

The circumstances of this deal were investigated by the government of India's Comptroller and Attorney General (CAG), and were the subject of a Center for Public Interest Litigation (CIPL) petition for a criminal investigation.

In 1996 — the same year that OPIC approved \$200 million in risk insurance toward Enron's oil and gas investments in India<sup>114</sup> — the country's Comptroller and Attorney General (CAG) released a report detailing "infirmities" or "irregularities" in the bidding process and how the terms were skewed to the benefit of Enron and Reliance.<sup>115</sup>

CIPL, in its petition, called for a criminal investigation into the Enron-Reliance takeover. The suit alleged that in 1995 and 1996, anti-corruption investigators for the Central Bureau of Intelligence (CBI) tried to get their supervisors to look into the deal. One CBI employee is quoted as calling for quick action to investigate "RIL and Enron and unknown public servants. This seems necessary that any delay may lead to loss of evidence and searches may prove to be futile." CIPL alleged that the employee was "prematurely repatriated to his State cadre." CIPL said it filed suit after learning of "efforts at the level of the Joint Director, Anti-Corruption Unit, Bombay, for scuttling this enquiry" and becoming "convinced about the powerful force of Reliance and Enron at work, to scuttle any possible investigation into the matter."<sup>116</sup>

While admonishing the CBI for losing some key documents, the Indian Supreme Court dismissed the CIPL petition in late 2000.

On Oct. 3, 2001, BG Group plc (formerly known as British Gas) announced that it expected to purchase the entire capital of Enron Oil & Gas India Limited for \$388 million by the end of the year. Enron's bankruptcy, however, threw the deal into question. "Although progress has been made to close the transaction," reported a Dec. 24, 2001, BG press release, "it has been slower than anticipated and further complicated by

Enron's recent Chapter 11 Bankruptcy Protection Filing in the U.S.A. The original agreement has now expired. BG Group is continuing discussions with Enron and local partners in the assets to bring about a satisfactory close to the transaction. BG Group will make an announcement on the outcome in due course."<sup>117</sup>

**India**

*Solar Thermal Power (100MW fossil fuels, 35MW solar)*

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Global Environment Facility (GEF)  
\$0.75 million spent (additional \$49 million proposed) 2002

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Kreditanstalt für Wiederaufbau (KfW, Germany)  
\$114 million cofinancing proposed (2002)

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Enron's role: The proposed Solar Thermal Power Plant, located in Rajasthan, India, and jointly owned by Enron-Amoco, is not as clean an energy source as its name may imply. Though a World Bank "prototype renewable energy project," the plant actually would "generate roughly three times more energy from fossil fuels than from the sun," merely 35 to 40 megawatts of capacity for solar energy versus 100 to 105 megawatts of capacity for oil, coal, or gas-fired power.<sup>118</sup> Claiming that the venture would not be economically viable without the fossil fuel component, the World Bank declared that this was "the first step of a long term program for promoting solar thermal power in India and around the world that would lead to a phased deployment of similar systems in the country and in other developing nations."<sup>119</sup> However, it is worth noting that the World Bank was considering "backing the smaller-scale fossil fuel/solar hybrid plan" rather than "purely solar ventures" that were being proposed at roughly the same time by companies like Sun Source Ltd. (which was planning "to build a 50 megawatt photovoltaic solar power plant") and Energen (which was "committed to building a 200 megawatt solar chimney").<sup>120</sup>

Germany's KfW has agreed to extend \$114 million in cofinancing for the Enron/Amoco "Solar Thermal" power project. In Feb. 2002, the World Bank stated that project preparation is underway, financed by \$750,000 from the World Bank's GEF.<sup>121</sup>

**Indonesia**

*Enron Java Power Co. 500MW gas-fired power plant*

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Multilateral Investment Guarantee Agency (MIGA)  
\$60 million guarantee approved 1997

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Enron role: In the early 1990s, Enron was one of several companies jostling to establish power plants in Indonesia.<sup>122</sup>

Enron (Enron Java Power Co.) acquired stakes in a 500MW power plant near Surabaya, Indonesia. However, in 1997, after the Rupiah's collapse, activities of the power plant were suspended.<sup>123</sup>

According to a report in the Japanese newspaper *Nikkei*, Enron, along with 26 other transnational corporations, signed power pacts with former President Suharto in which "the prices were set some 30 percent higher than the international market," exacerbating already shaky economic conditions.<sup>124</sup> Not only were prices higher, but there was a well-established complicity between Suharto and the independent power producers, including Enron. According to the former president of the state-owned utility, Perusahaan Listrik Negara (PLN), Djiteng Marsudi, "most of the private power plants rely on their connections with Suharto's family and cronies," saying, "only one of the 27 private power plant projects won a contract through a competitive bid."

Enron has tried its best to be compensated for the situation in Indonesia. After Suharto's overthrow, Enron apparently "insist[ed] that the Indonesian people [had] to honor the guarantees that Enron negotiated with the overthrown dictator."<sup>125</sup> And in March 2001, Enron received \$15 million from the World Bank's Multilateral Investment Guarantee Agency (MIGA), a sum of money that came out of the pocket of the Indonesian government, for the cancellation of a power project.<sup>126</sup> Apparently "MIGA officials made it clear that the government was correct to cancel the contracts given the subsequent economic downturn, but because of international law, Enron had to be compensated."<sup>127</sup>

### Italy

#### *Sarlux (Saras) 551MW oil/gas power plant*

European Investment Bank	1996-12
\$493 million guarantee approved	
Mediocredito Centrale (Italy)	1996-12
co-financier of syndicated loans	

Enron role: The Sarlux plant is a typical example of how Enron leveraged public finance into market penetration overseas. Enron's 1998 annual report explained, partially, "As new markets open across Europe, Enron's strategy is to 'be first' in these deregulating markets and to establish competitive advantages for the future."<sup>128</sup> This strategy, backed by public international finance, gave Enron purchase on foreign territory. In December 1996, Enron achieved financial closure on a joint venture project to develop the Saras, also known as Sarlux, power plant, a 551MW oil/gas power plant within the Saras S.p.A. refinery on the island of Sardinia. Saras, which owns a 55% share, and Enron, a 45% share, built the plant to

help power the oil refinery, the second largest in Europe.<sup>129</sup>

The European Investment Bank keyed the deal with approximately \$493 million of guarantees toward the project.<sup>130</sup> A financial arm of the Italian government, Mediocredito Centrale (often used to subsidize overseas projects), was a co-arranger, along with ABN Amro and CIS, of syndicated loans totalling \$1.2 billion.<sup>131</sup>

### Macedonia

#### *Bulgaria to Albania electricity transmission*

U.S. Trade and Development Agency	2000
\$0.3 million grant approved	
European Investment Bank	2001
\$35 million financing proposed	
Kreditanstalt für Wiederaufbau (KfW, Germany)	2001
\$21 million financing proposed	

Enron role: In 2000, the U.S. Trade and Development agency granted \$302,700 to ESM, the national electricity company of Macedonia, which in turn hired Enron subsidiary ECT Europe to conduct a feasibility study on an electric transmission corridor from Bulgaria, through Macedonia, to Albania.<sup>132</sup> Enron has expressed an interest in building a transmission line from Dubrovo to Radomir, valued at \$40 million. According to an April 2000 *Power East Europe* report, "Enron has confirmed its interest in participating in the regional network projects funded by international donor countries, and would consider providing capital itself where donor funds were scarce."<sup>133</sup>

Enron submitted its feasibility study in February 2001. ESM then announced that it was seeking European Investment Bank and KfW support for the Dubrovo-Radomir project.<sup>134</sup> An EIB delegation planned to appraise the project in March 2001. Financing of the 70 million Euro project would be split between the EIB (50%, that is \$35 million), KfW (35%, roughly \$21 million).<sup>135</sup> No financial package has been announced to date from either the EIB or KfW.

### Mexico

#### *Vitro 245MW gas-fired co-generation plant*

Inter-American Development Bank (IDB)	2000-12
\$136.5 million loan approved	

Enron role: The Inter-American Development Bank keyed Enron's development of the Vitro 245MW gas-fired power plant near Monterrey, Mexico. Power and steam produced by

the plant will be purchased exclusively for industrial use by local facilities of Vitro (glass), IMSA (steel), and Apasco (cement). The deal was sealed in December 2000, when IDB approved two loans, a \$45.5 million A-Loan and a \$91 million B-Loan, toward the project.<sup>136</sup>

Construction began in 2001. In November 2001, Enron sold about 80% of its stake in Vitro to Tractabel of Belgium. Tractabel reportedly is interested in purchasing the remaining balance held by Enron. The plant is scheduled to be completed by the end of 2002.<sup>137</sup>

According to *Power Markets Week*, "The plant is the only power project Enron was developing in Mexico, although in recent years it had competed unsuccessfully for several independent power projects put out for bid by government-owned utility Comision Federal de Electricidad."<sup>138</sup>

**Mozambique**  
*Pande gas field*

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International Development Association (IDA)  
\$30 million loan approved 1994

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Enron's role: In October 1994, Enron beat out Sasol (S.Africa) and PlusPetrol (Argentina) for control of the Pande gas field, which holds trillions of cubic feet of gas. That same year, the World Bank's IDA approved a loan toward "all predevelopment work necessary to enable the government and the private sector to make a firm decision to develop the Pande gas field to enable gas to be exported (mainly to South Africa) and used domestically."<sup>139</sup>The Bank noted that "now that the armed attacks have ceased it should be possible for Mozambique to achieve success in gaining private investment."<sup>140</sup>

For further details, see Case Studies.

**Nicaragua**

*Margarita II (Corinto) 70.5MW diesel-fired power plant*

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U.S. Maritime Administration  
\$50 million guarantee approved 1997-12-28

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Commonwealth Development Corporation (CDC, UK)  
\$30 million investment, 35% owner 1999

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Enron's role: Enron introduced a 70.5MW barge-mounted power plant, located in the Pacific port of Puerto Corinto in 1999. Empresa Energetica Corinto (EEC), a company in which Enron has a 35 percent interest, currently owns the power plant. The plant was built in the U.S.,<sup>141</sup> whereas the mooring facility, pier and fuel storage were constructed in Nicaragua.<sup>142</sup> The 15-year power purchase agreement with Nicaragua's state utility, Empresa Nicaraguense de

Electricidad, for 50 megawatts, with the remaining 20.5 percent reserved for merchant sales in the region, was signed in September 1999. The plant was built in the U.S. and the mooring facility, pier and fuel storage were built in Nicaragua. Commercial operation began in late 1999. Enron owns a 35 percent interest in the project, with 35 percent owned by its Guatemalan partner, Centrans, and the remaining shares owned by the Commonwealth Development Corporation.<sup>143</sup>

However, the project ran into problems when Enron was told that Empresa's transmission lines would run into state-owned right of way roadblocks. So the United States Government intervened, with advocacy on Enron's behalf coordinated between the U.S. embassy in Managua, and the Departments of Commerce and Energy. The advocacy "extended to the highest levels of the Government of Nicaragua," the U.S. export advocacy center bragged.<sup>144</sup>The Ambassador spoke twice with Nicaragua's President Aleman and Secretaries Daley and Richardson wrote letters.

**Nigeria**

*Nigeria power privatization*  
*(incl. 270MW gas-fired power plant)*

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International Development Association (IDA)  
\$100 million approved 2001-07-31

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Overseas Private Investment Corporation (OPIC)  
\$200 million approved 2001-06-19

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Enron's role: Nigeria is privatizing its power sector at the World Bank's behest. As the World Bank's IDA approvingly noted in a power privatization project "Appraisal Document," an Enron/AES venture in Nigeria recently reached a power purchase agreement between Enron, the state government of Lagos, and NEPA "to provide 270MW of power to Lagos."<sup>145</sup> This power project, called the Lagos Independent Power Project (IPP), mounted on nine barges near Lagos, began limited operation in May 2001, and neared capacity production as the year continued.

The Lagos IPP scheme was launched in Dec. 1999, when Enron reached a power purchase agreement with the Nigerian government. Progress languished through late 2000 while the World Bank raised concerns about terms it called too favorable for Enron. The Bank, according to PSIRU, pointed to a clause stipulating that, in the event that the contracts were to be terminated by any party other than Enron, the federal government would be obliged to settle Enron's entire financial commitment. The Bank also said the contract had not been put out to competitive tendering, gave "generous" payment terms and included no penalty clause for poor performance from the company.<sup>146</sup>

In June 2001, Nigerian President (General) Olusegun Obasanjo railed against Enron on CNN. "Enron has played a dirty game on us. Dirty game in two ways. The price at which they have tried to sell power to us has been very exorbitant. Two, what they told us they would do, they have not done," he asserted.<sup>147</sup>

In the end, PSIRU noted, "As with so many Enron projects, the Nigerian government was anxious for this project to succeed so that it sends a positive signal to other investors."<sup>148</sup>

Enron developed the Lagos power project, and then sold its interests to AES (a global IPP developer based in Virginia) in January 2001 for \$255 million. Enron, however, maintained management ties to the Lagos IPP through its subsidiary, Nigeria Power Holdings Ltd.<sup>149</sup>

Enron also has held other economic connections to Nigeria's oil and gas sector. In late 2001, it reportedly lost a contract with Nigeria LNG Ltd. to purchase one billion cubic feet of gas per year.<sup>150</sup>

In 1995, poet and Ogoni activist Ken Saro Wiwa, together with eight other Ogoni men accused of murder, were hanged. Dictator Sani Abacha ignored pleas for their clemency from President Clinton and other world leaders. Saro Wiwa and his Ogoni people were outspoken critics of Shell Oil Company's complicity in human rights abuses and environmental destruction of the Niger Delta. Citing economic not human rights considerations, the World Bank quietly withdrew from the country in 1995. But in 2001, it was back in the country, despite widespread evidence that the current regime of General Obasanjo is just as corrupt and complicit in serious human rights abuses. For example, on November 20, 1999, the Nigerian armed forces on direct orders from President Obasanjo, ravaged the town of Odi in the oil-rich but poverty-stricken Bayelsa State. The military had been sent to Odi, a stronghold of the ethnic Ijaw people, to apprehend those responsible for the killing of 12 police officers. Odi, once a town of 50,000, was levelled. Thousands of innocent men, women and children were massacred in what has been described as the worst human rights violation of the government.

With billions of dollars in government funds still allegedly squirreled away in Swiss bank accounts by previous regimes, Nigeria's government continues to demand debt forgiveness of the IMF. The IMF has made its own conditions for debt forgiveness an economic program of fiscal discipline, with particular attention to how Nigeria managed its oil and gas revenues. Although Nigeria engaged in this program in 2000, on March 5, 2002, Nigeria formally withdrew from the IMF's economic monitoring program, citing its concern that the program would destabilize the country.

Despite endemic corruption and human rights abuse, the World Bank's IDA and the U.S. OPIC approved support for

energy privatization and the AES/Enron power project last July and June, respectively.

In June 2001, OPIC president/CEO Peter S. Watson announced the approval of a \$200 million political risk insurance package for the AES/Enron power plant. "This project will help Nigeria meet a critical demand for electrical power generation, and at the same time enable the Nigerian government to demonstrate to U.S. investors its commitment to provide investment opportunities," he said. "OPIC is pleased to make this important contribution to Nigeria's first independent private power project and to Nigeria's ongoing economic development." OPIC's press release emphasized the involvement of AES, not Enron.<sup>151</sup>

After news of Enron's bankruptcy broke in early December 2001, Lagos State Governor Bola Ahmed Tinubu reportedly called the company to voice his concerns. Enron tried to allay his fears. Africa News quoted a letter from Enron / Nigeria Power Holding Ltd. executive Yao Apsau to Gov. Tinubu: "Following our discussions, Enron Corp. and its affiliate have in fact sought Chapter 11 bankruptcy protection in the U.S. Bankruptcy Court for the Southern District of New York... Contrary to popular belief, the Chapter 11 filing does not mean that Enron is out of business, but that it has entered into a court-supervised process by which it can continue to operate most of its businesses, reorganise its finances and explore various strategic, operational and financial alternatives in an orderly manner... Enron Nigeria Power Limited and its affiliate involved in the development of the Nigeria project are not included in the bankruptcy filing and are free to pursue the development of the Lagos IPP in the ordinary course of business... As you are aware, we are working feverishly with you, Lagos State, ministry of power and steel, and NEPA [the soon-to-be-privatized National Electric Power Authority] to ensure the successful development of the IPP. In addition, the Enron barge project at Egbin is already being successfully operated by AES and is unlikely to be affected by Enron Corp.'s filings. Many of Enron's plants and projects overseas are also continuing their operations in the ordinary course of business."<sup>152</sup>

### **Pakistan**

Enpak 782MW power plant

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International Finance Corporation (IFC)  
(\$60 million financing proposed, not approved) (1996-06-27)

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Enron role: Enron owned 100% of Enpak, a project that never came into fruition.<sup>153</sup>

**Panama***Bahia las Minas 355MW gas-fired power plant*

Export-Import Bank of the U.S. (Ex-Im)	
\$60 million loan approved	1996-09-25

Multilateral Investment Guarantee Agency (MIGA)	
\$3.3 million guarantee approved	2001-01-01

International Finance Corporation (IFC)	
(advised Panamanian government)	1998

Enron's role: In Jan. 1999, Enron International acquired a majority stake (51%) in the Bahia las Minas power plant, as part of the government of Panama's privatization of its power generation and distribution assets. Enron won the company with a bid of \$91.7 million. The IFC helped to arrange the conditions for this sale, and boasted of it in a Nov. 18, 1998 press release. The project has also been financed by Ex-Im in 1996, and MIGA in 2001.<sup>154</sup> The Bahia las Minas plant produces 30% of Panama's power. For more information, see Case Studies section of this report.

**Philippines<sup>155</sup>***Batangas 110MW oil-fired power plant*

Asian Development Bank (ADB)	
\$26.4 million loan approved	1994

Overseas Private Investment Corporation (OPIC, U.S.)	
\$62.9 million insurance approved	1994-07-06

Overseas Private Investment Corporation (OPIC, U.S.)	
\$50 million insurance approved	1993

Enron's role: Owner and operator of this plant since it opened in 1993. Originally shared ownership 50-50 with Philippines power company, increased to 100% by 2000. According to Enron, this "is a 110-megawatt, Bunker C-fired facility located on the island of Luzon, south of Manila in Batangas City. Enron holds a Fast-Track Build, Operate and Transfer Project Agreement with the state-owned National Power Corporation (NPC) and owns and operates the plant. The project sells power to the NPC, which supplies fuel for the project."<sup>156</sup>

OPIC described its package as "necessary to the success of the Batangas Power Corporation.... making Enron's bid more competitive."<sup>157</sup> Enron received financing from a wide array of private and public banks for this project.<sup>158</sup>

**Philippines***Subic Bay 116MW oil-fired power plant*

Overseas Private Investment Corporation (OPIC, U.S.)	
1998 \$16.3 million insurance approved	

Enron role: Enron is a 50% equity partner in this fuel oil-fired power plant that started operation in February 1994. NPC will assume ownership of the plant after 15 years.

Enron was the only successful contender among the U.S. companies that vied for ownership of two power facilities in the Philippines: one in Subic Bay, north of Manila; the other south of Manila, in Batangas. Enron was given the contract for both projects under a Build, Own, Transfer deal with the government. Enron describes its Subic Bay plant as "a Bunker C fuel-fired plant with a capacity of 116 megawatts... (which) began commercial operation in February 1994. The project sells power to the National Power Corporation [NPC, Philippines], which supplies fuel for the project. Enron is a 50 percent equity partner in the project."<sup>159</sup>

OPIC backed Enron's Subic Bay project with \$16.3 million in insurance in 1996.<sup>160</sup>

Under an agreement between the NPC and Subic Power Corp., ownership of the plant was to be transferred to NPC in March 2009. However, following Enron's filing of bankruptcy, in February 2002, Mid-American Energy Holdings Co. had expressed interest in acquiring Enron's assets in the Philippines by as early as March of 2003.

**Russia***Volgograd gas pipeline study*

U.S. Trade and Development Agency (TDA)	
\$0.25 million grant approved	date unknown

Enron's role: According to a U.S. TDA website, the agency provided partial funding for a study conducted by Enron Corp. on rehabilitation of compressor stations on the Volgograd gas pipeline.<sup>161</sup>

**Trinidad and Tobago***Ibis, Oilbird and Kiskedee oil/gas fields*

Overseas Private Investment Corporation	
\$100 million insurance approved (no contract issued)	1993

Enron's role: Owner (95%). The area assigned to Enron covers a combined 97,000 acres on the South East Coast Consortium (SECC) block off Southeast Trinidad. More development would be allowed under the plan, depending on results of the first three wells. In 1998, Enron announced a major strike directly adjacent to the SECC block that will realize between 600 billion and 1 trillion cubic feet of additional reserves. These three wells will also produce 10,000 barrels/day of crude oil and condensate. All of Trinidad's oil and gas activities formerly controlled by Enron were trans-

ferred to its former subsidiary, which is now an independent company, Enron Oil and Gas, in 1999. Although EOG is now an independent company, owning all the former Enron activities in Trinidad, the U.S. and Canada, Enron retains a 10 percent stake in the company.<sup>162</sup>

### Turkey

#### *Marmara 480MW gas-fired power plant*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$295 million insurance approved	1994-1996

Export-Import Bank of the United States (Ex-Im)	
\$251.5 million loans approved	1995-1996

U.S. Trade and Development Agency: Technical symposium and follow-up conference <sup>163</sup>	
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Enron's role: Enron held a 50% interest in the Marmara power plant operating consortium called UNIMAR; other members of consortium include Midlands Electric (U.K., 31%), Wing Int'l (Enron subsidiary, 9%, lead developer); and, Turkey's Gama Endustri, Montaj and Pazarlama.

This power plant received deep assistance from U.S. agencies. OPIC approved \$85 million in finance in 1994, \$200 million in insurance in 1995, and \$10 million in additional finance in 1996. Ex-Im backed Marmara with an initial \$228.2 million guarantee in 1995 and an additional \$22.7 million guarantee in 1996.<sup>164</sup>

### Uzbekistan

#### *Gas developments*

Overseas Private Investment Corporation (OPIC, U.S.)	
(\$400 million insurance proposed)	(1996)

U.S. Trade and Development Agency (TDA)	
\$0.5 million grant approved <sup>165</sup>	date unknown

Enron's role: Gaining support from the highest levels of government, along with OPIC promises of up to \$400 million in financing in 1996, Enron had ambitious plans to develop several gas fields in Uzbekistan. Enron would have benefited from the largest-ever investment by OPIC in Central Asia, but it never became reality.

After Uzbekistan gave Enron the rights to explore eleven fields in the Surkhandariya and Bukhara region, then-president of OPIC Ruth Harkin expressed her delight. "It is certainly the Clinton Administration's priority to support continued economic reforms in the Republic of Uzbekistan, and for OPIC's part... , I'm delighted that OPIC will be able to sign protocols and agreements with the Enron Corporation as well

as with the Texaco Corporation."<sup>166</sup>

On June 25, 1996, one day after the tentative \$400 million OPIC deal was announced, President Bill Clinton met for the first time with Uzbekistan's President Islam Karimov, the president of the largest republic of the former Soviet Union. While Clinton reportedly expressed concern about the human rights situation in Uzbekistan, he emphasized his desire for greater economic integration of the country with the West.

One day later, President Karimov appeared at a June 27 conference on Uzbekistan's oil and gas industry in Houston, where he noted that officials of Enron Oil & Gas and the state's natural gas company, Uzbekneftegaz, agreed to "extend and enhance their existing Memorandum of Understanding (MoU) to pursue the joint venture development and marketing of proven hydrocarbon reserves in Uzbekistan."

Then, in 1997, the EBRD pledged \$90 million in financing, together with \$100 million from Japan's Export-Import Bank, toward a refinery rehabilitation project, which both Enron and Texaco were to use. When the EBRD approved the project, it stated that, in addition to rehabilitating the refinery, a twin objective is "supporting commercialization of the sector and Uzbekneftegas [the national gas company]."<sup>167</sup>

In April 1997, according to AP, Enron CEO Ken Lay wrote a letter to George W. Bush, then governor of Texas, "about Enron's negotiations for a \$2 billion joint venture to develop Uzbekistan's natural gas fields. According to the letter, Bush was scheduled to meet with Uzbekistan's ambassador to the United States just a few days later."<sup>168</sup>

Exports of gas from Uzbekistan must be routed through two gas pipeline monopolies — Gazprom in Russia and Tractebel in Kazakhstan. Although Enron had been in discussions with Gazprom for two years, in late 1998, Enron quietly withdrew from its investments in Uzbekistan, citing its inability to secure a hard currency market from Gazprom for the gas it hoped to produce jointly with Uzbekneftegaz.

### Venezuela

#### *Accro III and IV natural gas liquids extraction plants*

Overseas Private Investment Corporation (OPIC, U.S.)	
\$400 million insurance approved	1998

Export-Import Bank of the United States (Ex-Im)	
\$132.3 million loan approved	2000-09-13

Export-Import Bank of the United States (Ex-Im)	
\$65 million loan approved	1993

COFACE (France)	
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\$90 million finance approved 1993

SACE (Italy)

\$40 million finance approved 1993

Enron's role: In 1998, Enron (50% owner) led a winning consortium on a bid to build, own, and operate the Accro III and IV natural gas extraction facilities in Venezuela. Other members of the consortium included TransCanada Pipelines and Tecnoconsult S.A. Before the Enron-led consortium won the \$450 million Accro gas-plant project, many bidders "retreated from bidding... over several issues, including political, pricing, product specifications, and market-territory exclusions."<sup>169</sup>

Enron also benefited from export credit agency support for an earlier phase of the Accroven development. In a deal that closed in July 1993, Enron Liquid and Dow Hydrocarbons were the customers for "one the largest project financing in Latin America since the 1980s debt crisis." The \$550 million Accrogas LNG project was supported by at least three export credit agencies, including U.S. Ex-Im (\$65 million), COFACE (France, \$90 million) and SACE (Italy, \$40 million).<sup>170</sup>

**Vietnam**

*Craft Corp iron project*

U.S. Trade and Development Agency (TDA)  
\$0.4 million grant approved 1997

Enron's role: For years, Vietnam was off limits for OPIC, Ex-Im and other U.S. government financing for businesses because of its communist government. However, that changed in 1997 after Linda F. Powers, senior vice president for global finance at Enron International, told a House Subcommittee: "If we have no Ex-Im Bank, it would literally force us to open up a foreign location and move our manufacturing jobs overseas in sufficient size and scope so that we have the interest of the export credit agency of that country — for example, Canada." Powers said that Enron was trying to obtain French financing for an unspecified project in Vietnam, because OPIC projects were unavailable.<sup>171</sup>

Within months of Ms. Powers' statement to Congress, President Bill Clinton revoked a provision barring U.S. agency assistance to projects in Vietnam. The U.S. TDA responded with grants toward a now-dormant Enron initiative to build a 675MW power plant in Soc Trang province (see below) and a grant toward an iron project in which Enron was a consortium partner.

The latter project, being developed by Craft Corp., obtained a TDA grant, and sought OPIC and Ex-Im financing, for a \$300 million direct reduced iron plant it hoped to build in Vietnam. In 1997, the U.S. TDA approved a \$390,125 grant "to partially fund a feasibility study on a Direct Reduced Iron

project in the southern part of Vietnam. The study was conducted by Raytheon."

After sanctions were lifted, a Craft official explained the consortium's intentions. "We're ecstatic (about the waiver) because this will enable us to pursue OPIC financing," said Greg Craft, managing director of Craft Corp. He said his company would apply for \$150 million in support from OPIC.<sup>172</sup> In congressional testimony, Craft explained, "Our American consortium, including partners Raytheon, Enron and Midrex, will utilize U.S. technology, U.S. services, and U.S. equipment in the implementation of this strategically important project. We were awarded the first TDA grant to Vietnam last September and have recently submitted an application to OPIC for financing of \$150 million. Advanced discussions with Ex-Im regarding additional financing and insurance are also underway. However, without access to these government programs there would be no alternative but to turn to foreign financial and equipment sources."<sup>173</sup>

**Vietnam**

*Soc Trang 675MW gas-fired power plant*

U.S. Trade and Development Agency (TDA)  
\$0.54 million grants approved 1998,2000

Enron's role: In 2000, TDA provided a \$92,609 grant toward Enron's proposed Soc Trang power plant "to further support the Ministry of Industry and Electricity Vietnam in their efforts to move forward with the Power Purchase, Site Lease, two Fuel Supply, and Build, Operate and Transfer Agreements."

This followed a \$450,000 technical assistance program with the identical mandate.<sup>174</sup> According to its 1998 annual report, "TDA invested in three independent power projects (IPPs) in Vietnam in 1998. In these projects, a private company invests its own money to construct and operate a power plant and then sells the electricity to the national grid. One of TDA's IPP investments included a technical assistance grant in support of efforts by Enron of Houston, Texas, to develop a gas fired power plant."<sup>175</sup>



## Appendix 1: Abbreviations and Acronyms

B G	British Gas	IDC	Industrial Development Corporation (Mozambique)
BNDES	Banco Nacional de Desenvolvimento Econômico e Social (Brazil)	IFC	International Finance Corporation (World Bank Group)
BOOT	Build, Own, Operate and Transfer	IFIs	International Financial Institutions
CAF	Corp. Andina de Fomento (Andean Development Corp.)	IGCC	Integrated Gasification Combined Cycle
CAG	Comptroller and Attorney General	IMF	International Monetary Fund
CBI	Central Bureau of Intelligence	IMSA	Industrias Monterrey, S.A. (Mexico)
CDC	Commonwealth Development Corporation (UK)	IPP	Independent Power Project
CDE	Corporacion Dominicana de Electricidad (Dominican Republic)	IRHE	Instituto de Recursos Hidraulicos y Electrificación (Panama)
CIDA	Canadian International Development Agency	KfW	Kreditanstalt für Wiederaufbau (ECA, Germany)
CIPL	Center for Public Interest Litigation	LDCs	Least Developed Countries
COFACE	Confédération des Organisations Familiales de la Communauté Européenne (ECA, France)	LNG	Liquefied Natural Gas
DR	Dominican Republic	MARAD	U.S. Maritime Administration
DRI	Direct Reduced Iron	MDBs	Multilateral Development Banks
EBRD	European Bank for Reconstruction and Development	MIGA	Multilateral Investment Guarantee Agency (World Bank Group)
ECA	Export Credit Agency	MITI	Ministry of International Trade and Industry (Japan)
ECGD	Export Credits Guarantee Department (UK)	MoU	Memorandum of Understanding
ECT	Enron Capital & Trade Resources	MSEB	Maharashtra State Electricity Board (India)
EEC	Empresa Energetica Corinto (Nicaragua)	MW	Megawatts
EES	Enron Energy Services	NATO	North Atlantic Treaty Organization
EGPP	Enron Global Power & Pipelines, LLC	NEPA	National Electric Power Authority (Nigeria)
EGS	Enron Global Services	NGOs	Non-Governmental Organizations
EIA	Environmental Impact Assessment	NSC	National Security Council
EIB	European Investment Bank	NPC	National Power Corporation (Philippines)
EOG	Enron Oil and Gas Company	OND	Office National du Ducroire (Belgium)
ESBI	Electricity Supply Board International (Ireland)	ONGC	Oil and Natural Gas Commission (India)
ESM	Elektrostopanstvo na Makedonija (Macedonia)	OPEC	Organization of Petroleum Exporting Countries
EWS	Enron Wholesale Services	OPIC	U.S. Overseas Private Investment Corporation
Ex-Im	U.S. Export-Import Bank	PLN	Perusahaan Listrik Negara (Indonesia)
FPHC	First Philippines Holding Company	PSIRU	Public Services International Research Unit (School of Computing and Mathematical Sciences, University of Greenwich, UK)
FT	Financial Times	PQP	Puerto Quetzal Power L.L.C. (Guatemala)
FY	Fiscal Year	RIL	Reliance Industries Ltd.
GAO	U.S. General Accounting Office	SACE	Sezione Speciale per l'Assicurazione del Credito all'Esportazione (ECA, Italy)
GEF	Global Environment Facility	SECC	South East Coast Consortium
GKA	Bundesgarantie für Kapitalanlagen im Ausland (Germany)	SOCAR	State Oil Company of Azerbaijan Republic
HEP	Hrvatska Elektroprivreda (Croatia)	TCP	Trans-Caspian Gas Pipeline
IBRD	International Bank for Reconstruction and Development (World Bank Group)	TDA	U.S. Trade and Development Agency
ICICI	Industrial Credit and Investment Corporation of India Limited	TGB	Transportadora Brasileira Gasoduto Bolívia
IDA	International Development Agency (World Bank Group)	TGS	Transportadora de Gas del Sur S.A. (Argentina)
IDB	Inter-American Development Bank	WTO	World Trade Organization
		YPFB	Yacimientos Petroliferos Fiscales Boliviano (Bolivia)

- 1 This figure represents the amount of financing that has been approved by public financial institutions for Enron-related projects. Enron's relationships to these projects are explained later in this report. Not all of this financing has actually been spent. Some approved deals are never implemented. Just as important as actual expenditures, however, is the fact that only when these government institutions' boards approve a project are private banks ready to initiate their end of the financing. Many of these projects would never have occurred without official backing from multilateral development banks and export credit agencies.
- 2 The "Enron project" in Maharashtra — protests suppressed in the name of development, Amnesty International, July 1997.
- 3 The World Bank Group includes five major agencies, all of which have supported Enron-related projects: the International Bank for Reconstruction and Development, the International Development Association, the Multilateral Investment Guarantee Agency, the International Finance Corporation, and the Global Environment Facility.
- 4 Enron owned 25,000 miles of natural gas pipeline (Northern Natural Gas, Transwestern Pipeline, Florida Gas Transmission, and Northern Border Partners, L.P.) Dynegy acquired 16,500 miles of the Northern Natural Gas pipeline system for \$1.5 billion in January. Enron is still in litigation with Dynegy over this deal. The most valuable of Enron's four North American pipelines, this pipeline stretches from West Texas to the Great Lakes. The new president of Northern Natural Gas, Dan Dienstbier, held the same title when the company was a subsidiary of Internorth. Internorth merged with Houston Natural Gas in 1985 to create Enron. That year he was named president of Enron's Gas Pipeline Group. See [http://biz.yahoo.com/apf/020131/dyneyg\\_enron\\_1.html](http://biz.yahoo.com/apf/020131/dyneyg_enron_1.html).
- 5 Bloomberg News, January 4, 2002.
- 6 "Reagan vs. the World Bank," Newsweek, September 21, 1981, p. 88.
- 7 An Examination of The World Bank Energy Lending Program, Office of International Energy Policy, U.S. Treasury July 28, 1981, pp. 25-26.
- 8 The Last Energy War, Harvey Wasserman, Seven Stories Press, 1999, p. 25.
- 9 Annual report on Enron, 1993
- 10 Power Play: A Study of the Enron Project, by Abhay Mehta, Orient Longman, 1999, p. 21
- 11 See [http://www.worldbank.org/hrs/sep/knowledge/5\\_current\\_partners.html](http://www.worldbank.org/hrs/sep/knowledge/5_current_partners.html)
- 12 From Public Services International Research Unit report (PSIRU, June 2001): "It was reported that Lay has personally thrown himself into a lobbying venture with the World Bank in the early 1990s. At the time, Enron was anxious to win financial guarantees from the Bank for several of its projects in India, Indonesia and Africa. As a way of making contact with senior officials from the institution and advancing its own agenda, Enron financed a survey of the future of the World Bank by the Center of Strategic and International Studies. Lay was co-chairman of the panel and drafted the survey."
- 13 News & Notices for World Bank Watchers, issue no. 15, 1996, available at: [http://www.challengeglobalization.org/html/news\\_notices/15\\_1996/N&N15.pdf](http://www.challengeglobalization.org/html/news_notices/15_1996/N&N15.pdf)
- 14 Asia Times, Jan. 29, 2002.
- 15 Bloomberg, Feb. 21, 2002
- 16 The Nation, November 21, 1994
- 17 IFC website: <http://www.ifc.org/ogc/argentina.htm>
- 18 From ImpactResearch: A Program of the Data Center (June 1, 2000).
- 19 Bloomberg, Feb. 21, 2002 TK.
- 20 Amoco purchased a 50% share in the Chaco unit for \$307 million, which was named Empresa Petrolera Chaco. Chaco is an oil exploration and production company, which owns one of the YPFBs two big oil and gas fields. According to Amoco, the new company will intensify natural gas production to feed the Rio Grande, Bolivia to Sao Paolo and Porto Alegre, Brazil pipeline. A mostly Argentine consortium (including Pluspetrol Bolivia, Perez Companac, and YPF) won a bid for Adina Sam, which owns and operates the other big oil and gas field (\$264.8 million). Andina SAM's oil fields produced about one-third of Bolivia's oil and one-quarter of its gas in 1996.
- 21 The other half of the company is owned by Bolivian pension funds (34%) and current and former YPF employees (16%), who also hold a combined 50% share in the other two spin-offs.
- 22 Bloomberg, Feb. 23, 2002; "Analysis; Pipeline Survey," Petroleum Economist, Feb. 11, 2002
- 23 World Bank MOS, February 4, 1998.
- 24 For further details on the ownership struggle at the Puerto Plata plant, see court case: Smith/Enron Cogeneration Ltd Partnership, Enron International, et al., vs. Smith Cogeneration International Inc., United States Court of Appeals for the Second Circuit, Docket No. 99-7101, Argued Sept. 15, 1999, Decided Dec. 8, 1999.
- 25 MARAD approved guarantees to build three power barges for this project. In 1994, MARAD approved a \$34.3 million guarantee for McDermott's construction of one barge mounted power plant for the Puerto Plata project. In 1996, MARAD approved a \$50 million guarantee toward the construction of two Smith-Enron barge mounted power barges constructed (TK) by Trinity Marine of Beaumont, Texas.
- 26 Iturbides, Matías, "Deuda Eléctrica es de U.S.\$217 millones". Listín Diario, Edición Digital, October 24, 2001.
- 27 PSIRU Enron Report, June 2001
- 28
- 29 Informe del Grupo Investigador de la Comisión Especial del Senado que Analizó el Proceso de Capitalización de la CDE. <http://www.senado.gov.do/asesores/privatizacionde/privatizacionde.htm>
- 30 Ortiz, Emilio, "Empresa Aclara Nexus con Emporio Enron", El Nacional, January 31, 2002.
- 31 From Cerigua Weekly Briefs, Jan. 20, 1993.
- 32 Lee M. Goodwin, Central American Development, Independent Energy, 1995.
- 33 New York Times, Dec. 27, 1995.
- 34 International Gas Report, February 19, 1993; Africa Review World of Information, February 1997; Africa Energy & Mining, Nov. 15, 1995, Feb. 28 and July 10, 1996, Jan. 22, 1997; Oil Daily, Oct. 18, 1994; U.S. Embassy report in International Market Insight Reports, April 8, 1997.
- 35 See <http://www.usmission.hn/english/mission/sections/wwwhce15.html>
- 36 Enron press release, Jan. 15, 1999
- 37 Tim Shorrock, "Enron's Asian misadventure," Asia Times, Jan. 29, 2002, available at <http://www.atimes.com/global-econ/DA29Dj01.html>.
- 38 "...Our exposure is, as you know, sir, we don't provide corporate finance, we provide finance to a project. So in fact it's the project that OPIC was lending to, not Enron," OPIC President Peter Watson, in testimony before House Appropriations Foreign Operations Subcommittee, March 7, 2002, referring to Dabhol power project in India.
- 39 In a Dec. 10, 2001, internal memorandum obtained by the Washington Post, an OPIC staffer cites a lower figure: "Combined maximum OPIC exposure to projects sponsored by Enron is \$1.059 billion of OPIC's \$15.2 billion portfolio. (as of Sept. 30, 2001)" But this number grows more varied as the staffer continues: "OPIC Finance committed exposure is \$855 million.... The maximum contingent liability of the 10 political risk insurance projects is \$750 million." See <http://www.washingtonpost.com/wp-dyn/articles/A19800-2002Jan22.html> for the actual OPIC documents.
- 40 Tom Connors, "Exporters fear loss of Ex-Im Bank and OPIC," Journal of Commerce, May 21, 1997.
- 41 "Conference Report: Enron chief criticizes U.S. Congress and World Bank," International Trade Finance, October 11, 1996
- 42 Kenneth Lay, "Prepared testimony of Kenneth L. Lay, chairman, Enron Corp. before the Committee on Appropriations, Subcommittee on Foreign Operations, U.S. House of Representatives," March 23, 1995
- 43 Ex-Im press releases, March 12, 2001 and March 17, 2000.
- 44 See MARAD spread sheet "Maritime Loan Guarantee Program" (FY1994-2000) available at <http://www.marad.dot.gov>
- 45 See <http://www.talkingpointsmemo.com/jan0204.html>
- 46 White House press release, "Bush names former State, Treasury Official as U.S. TR," Jan. 11, 2001, see: <http://usembassy.state.gov/tokyo/wwwwhs083.html>
- 47 Pratap Chatterjee, "Covert Action and Political Clout help Enron win Contracts," Inter Press Service, July 31, 1995; Vijay Prashad, "The Power Elite: Enron and Frank Wisner," People's Democracy, Nov. 16, 1997
- 48 David Aaron, Under Secretary of Commerce for International Trade, "Foreign Press Center briefing; Subject: Upcoming trip to West and Southeast Europe," National Press Building, Washington, DC, Sept. 9, 1999, available at <http://www.usembassy.it/file9909/alia/99090921.htm>.
- 49 From Financial Times Surveys (Croatia 2000), available at <http://specials.ft.com/ln/fts-surveys/country/sce57e.htm> "In a recently-published transcript of secretly-taped conversations from the late president Tudjman's offices, the president discusses the granting of a contract to build a power sta-

- tion to Enron, the U.S. energy company. The president believed that by granting the contract - which the present government believes is highly disadvantageous to Croatia - he could curry favour with the U.S.. Enron executives carefully give non-committal answers to his questions in the transcript. But Mr Tudjman hoped that the contract - which tied the government to buying electricity at a fixed price for 20 years - would bring him a visit to the White House. He also thought that it would persuade the U.S. to push for Croatia's membership of the World Trade Organisation and to ask The Hague war crimes tribunal to take pressure off Croatia. 'Every one of us in this room could end up in The Hague,' he is recorded as telling his advisers."
- 50 Transcript of Frontline interview with Kenneth Lay, May 22, 2001, available at <http://www.pbs.org/wgbh/pages/frontline/shows/blackout/interviews/lay.html>.
- 51 In a Frontline interview on May 17, 2001, Vice President Cheney was asked, "But you did meet with [Enron chairman] Ken Lay." He replied, "Ken's been a friend. I once was involved doing a baseball stadium for Ken Lay, which didn't have anything to do with energy. This time around, when he came in to see me, he did want to talk about energy." (Transcript of Frontline interview with Vice President Dick Cheney, May 17, 2001, available at <http://www.pbs.org/wgbh/pages/frontline/shows/blackout/interviews/cheney.html>.)
- 52 For further information, visit the website: <http://www.eca-watch.org>
- 53 CDC annual report 1999, available at: [http://www.cdcgroup.com/investor/content/annual\\_report/pdf/br\\_power.pdf](http://www.cdcgroup.com/investor/content/annual_report/pdf/br_power.pdf)
- 54 COFACE press release, Dec. 4, 2001, available at: <http://www.coface.com/anglais/rub2/pres/041201gb.htm>
- 55 For MDBs, this figure is based on U.S. Government voting shares held at these institutions.
- 56 CNN Countrywatch (Argentina-Energy 2000); OPIC Annual Reports 1992-95; PR Newswire, Dec. 3, 1992; Latin American Law and Business Report, May 31, 1995; Euroweek, Aug. 9 and Sept. 27, 1996; Reuters, Aug 1, 1996; Xinhua News Agency, Oct. 14, 1998.
- 57 Enron Global Power & Pipelines (EGPP) LLC, Form 10-Q for the Quarterly Period ended September 30, 1997, Securities and Exchange Commission file no. 1-13584.
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