

Attn:  
Mr. Werner Hoyer  
**President of the European Investment Bank**  
Mr. Alfonso Querejeta  
**Secretary General of the European Investment Bank**  
**European Investment Bank**  
98-100, boulevard Konrad Adenauer  
L-2950 Luxembourg

Attn:  
Mr. Olli Rehn  
**Vice-President of the European Commission**  
**European Commission**  
Directorate General for Economic and Financial Affairs  
Avenue de Beaulieu  
B-1049 Brussels  
Belgium

Madrid, Barcelona, 30<sup>th</sup> October 2013

**RE: Project Castor -EU 2020 Project Bond Initiative**

Dear Sirs,

It is within the context of the quickly evolving situation of Project Castor that our organisations are compelled to contact the European Investment Bank to seek urgent institutional clarifications regarding our concerns over the financing of the project and its possible repercussions on European and Spanish tax payers.

In July 2013 the EIB announced that Project Castor had been selected to be the first pilot project for the testing of the Europe 2020 Project Bond Initiative (PBI) and Project Bond Credit Enhancement initiative (PBCE). The initiative was billed by the EIB as the “first successful use of the project bond credit enhancement”<sup>1</sup>

As organisations concerned with the issues of debt, sustainability and responsible financing (focusing particularly at EU level), we have followed the EIB's Project Bond Initiative closely. Moreover, our physical proximity to the project has meant that our concerns are felt more keenly than ever. The potential negative ramifications of the project would be felt by ourselves and our fellow citizens already reeling from budgetary austerity and severe public spending cuts.

Our primary concerns relate to the EIB financing of Project Castor which as it stands could ultimately add yet more debt to the already encumbered Spanish State and, even more worryingly, the potential environmental and health risks for the population resulting from increased seismic activity manifested as earthquakes which could lead to massive gas leaks<sup>2</sup> threatening the safety of the local population and leading to obvious environmental and ecological damage.

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<sup>1</sup>[http://europa.eu/rapid/press-release\\_BEI-13-117\\_en.htm](http://europa.eu/rapid/press-release_BEI-13-117_en.htm)

<sup>2</sup>See document attached: [http://www.ecologistasenaccion.org/IMG/pdf/informe\\_riesgo\\_fuga\\_gas.pdf](http://www.ecologistasenaccion.org/IMG/pdf/informe_riesgo_fuga_gas.pdf)

We have seen Project Castor unravel in front of our eyes eventually leading to the paralysis of the functioning of the project in September and now the looming court battle between the Spanish government and the companies involved. As a consequence, obvious questions relating to the financing of the project and the role of EIB and other public institutions come to the fore. In the interests of transparency and accountability, we write you to ask the following questions so that a better understanding of the history of the project can be reached.

1) In a bid to attract increased levels of private investment for a series of large European infrastructure projects, the EIB has developed the Project Bond Initiative which at its centre features the use of public funds in the form of guarantee and loan products to create more favorable conditions for private involvement in large infrastructure projects. As Project Castor has now been suspended due to safety concerns related to dramatically higher seismic activity and earthquakes<sup>3</sup> (also posing a possible threat to nuclear power stations in close proximity<sup>4</sup>), we are met with the prospect of the project falling further into acrimony as the Spanish state and private investors embark on a potentially protracted legal battle to apportion blame and reduce financial losses relating to the halt in operations and plummeting bond values.

With this in mind, how does the EIB qualify the continued use of the Project Bond Initiative taking into account recent developments and the potential for the loss of significant amounts of public money? Does the EIB intend to continue using the Project Bond mechanism despite of its obvious failings so evident in Project Castor? Have events surrounding Project Castor impacted on other EIB projects earmarked for the Project Bond Initiative, and if so, how will the EIB ensure that no more public money is risked in quite such a cavalier manner?

The EIB supported the project with a €200 million liquidity line, and has purchased €300 million of the emitted bonds as an anchor investor. At present it is not clear if the loan provided was made from the EIB's own resources, or alternatively a part of the EC's budget (part of the CEF – Connecting Europe Facility package), we feel such information should be disclosed as to enable to tax payers to legitimately scrutinise how public money is spent. Thus, we request that this information be made public.

2) As reported in the international press, the value of the bonds emitted has decreased significantly affecting the investment of the EIB – at present how much does the EIB stand to lose from the drop in value of the bonds?

All public institutions involved in Project Castor are committed to transparency and accountability. If public money is found to have been lost on Project Castor an increased level of public scrutiny will fall on the EIB and all public institutions involved. In light of this, will the EIB publish more detailed financial information relating to the operation/contracts in order for the public to ascertain exactly which financial entities benefited from the Project Bond Initiative and exactly how much public money was lost?

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<sup>3</sup><http://www.catalannewsagency.com/society-science/item/concern-in-the-ebro-delta-over-a-series-of-small-earthquakes-allegedly-due-to-a-gas-offshore-platform>

<sup>4</sup>[http://www.eldiario.es/politica/Ecologistas-paralizar-nucleares-catalanas-terremotos\\_0\\_181982652.html](http://www.eldiario.es/politica/Ecologistas-paralizar-nucleares-catalanas-terremotos_0_181982652.html)

3) The Spanish minister for industry, Mr. José Manuel Soria, recently explained that the concession to ESCAL UGS contains the possibility of compensation for the net value of the asset in case of a reversion to state ownership and compensation for a residual value in case of gross negligence.<sup>5</sup> In the context of the harsh austerity measures put in place by the Spanish state under pressure from its EU partners which has contributed to the significant erosion of living standards for most Spanish citizens, how does the EIB justify the effects of the Project Bond Initiative which will result in yet more public debt being added to the already heavy burden of the Spanish tax payer?

4) The literature produced by the EIB surrounding the Project Bond Initiative speaks frequently of the need for renewal of EU wide infrastructure which it is hoped will ultimately benefit EU citizens. In light of recent developments with Project Castor and the threat it poses to the communities of Tarragona and Castelló, how does the EIB substantiate this claim? As part of the due diligence process did the EIB acknowledge the results of studies made by local experts which highlighted the potential dangers of the project?<sup>6</sup> What measures will the EIB undertake to ensure that future large infrastructure projects do not pose an immediate threat to EU citizens? Moreover, how will the EIB modify its environmental due diligence procedure in light of the catastrophic failings surrounding Project Castor and its subsequent paralysis owing to safety concerns?

As an EU body, the EIB has a responsibility to address our questions in a timely and thorough manner. We request that the EIB address the concerns laid out in this letter and offer some concrete answers to the problems discussed.

We hope to establish a dialogue with the EIB and look forward to receiving your prompt response.

**Sincerely yours,**

Plataforma en Defensa de les terres del Sénia  
Plataforma Auditoria Ciutadana del Deute (PACD)  
Plataforma Delta Viu, per la recuperació dels espais naturals i agraris del Delta del Llobregat  
Plataforma del Priorat  
Observatori del Deute en la Globalització (ODG)  
Mundubat  
Entrepobles  
Enginyeria Sense Fronteres  
Ecologistas en Acción  
Carbon Trade Watch  
Campaña de Afectado/as por Repsol  
Associació Salut i Agroecologia  
Associació de Naturalistes de Girona  
AlterNativa Intercanvi amb Pobles Indígenes

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<sup>5</sup><http://www.lavanguardia.com/medio-ambiente/2013/10/17/54392091585/supremo-castor-compensada-cierra-proyecto.html>

<sup>6</sup> <http://www.levante-emv.com/comunitat-valenciana/2013/10/23/universitat-barcelona-alerto-seismos-7/1043949.html> and also [http://www.elconfidencial.com/empresas/2013-10-15/acs-y-sus-socios-sabian-que-podia-haber-fugas-de-gas-en-el-subsuelo-de-castor\\_41648/](http://www.elconfidencial.com/empresas/2013-10-15/acs-y-sus-socios-sabian-que-podia-haber-fugas-de-gas-en-el-subsuelo-de-castor_41648/)