

From: Martin Blaiklock

Date: Monday, 6 June 2016 at 09:18

Subject: Re: EIB - Thames Tideway Tunnel - EIB co-financing alongside Cayman Island Money - Money Laundering

Jonathan,

On checking last week with EIB, London, I understand that you and Treasury colleagues are to respond anon with respect to the concerns I have raised in my e-mail of 23 May, 2016.

However, since that date, Tideway have issued the Prospectus of their £10bn (Euro 13bn) bond program, which throws additional light on this project. Furthermore, it has been announced that the first tranche of £100mn "deferred payment" bonds have been placed last week:-

(a)

The Tideway bonds are Bearer Bonds, which, due to their ownership (and the transactions involving ownership) being unrecorded, are "historically the financial instrument of choice for money laundering, tax evasion and concealed business transactions in general".

EIB's association with such financial arrangements for Tideway and its interdependence for success with Thames Water, which has raised over Euro 7bn funding in the same form and via a black-listed tax-haven, therefore, seems unsustainable, not least given EIB/EC policies in this regard.

(b)

Already, 8 months after Tideway / Bazalgette Tunnel received its Project Licence, Tideway is operating in breach of its Licence (ref Condition G).

(c) It is also clear from the project description and the operational and financing structure for Tideway, as given in the Prospectus, that, prima facie, Tideway is proceeding in contravention of the Parliamentary SIP

Regulations, i.e. in contravention of UK Law.

As time is passing, I look forward to your comments at an early date, so I/we can determine whether the file on these issues should be passed to the regulatory and judicial authorities for resolution.

[On reflection, it beggars belief that the UK's largest water utility, serving the Capital, Thames Water, should be governed and regulated in such a manner, which defies normal corporate governance and probity for a monopoly, essential public service. You may have noted that the new Chief Exec., as recently announced, from his cv, has never run a water company before!! Furthermore, the current pensions' deficit is comparable to BHS!]

Best regards,

Martin Blaiklock

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On 24 May 2016, at 18:45, Martin Blaiklock wrote:
Mr Black [Jonathan],

I write to you, as UK Director EIB, in connection with the recently announced confirmation of the GBP 700mn (Euro 900mn equiv.) loan, - the largest in EIB's history in the water sector, - that EIB is to provide to Tideway as part funding of the Thames Tideway Tunnel project.

I would be grateful if you could provide explanations as to:-

(a)

why, in the light of EIB's revised Policy on Offshore Financial Centres (OFC: 2009), which confirmed EIB's "commitment to refuse to operate wherever there is an OFC link to a prohibited ("blacklisted") jurisdiction", EIB is extending this project loan as a co-financing with Thames Water, the sponsor, developer and sole beneficiary of the Tideway project, who raises over half of its finance (i.e. in excess of £5bn or Euro 7bn equiv.), including funding for the Tideway project, via recycled funds from the Cayman

Islands, a tax-haven which the EC declared in Jun 2015 as non-compliant as an OFC and placed on the EC black-list of tax-havens?

[Note: it is also noted that EIB has existing loans outstanding to Thames Water too].

(b)

why alternatives for the Tunnel were not considered by EIB, as required by the Bank's Environmental and Social Handbook (2013)?

[Note: the decision to build The Tunnel was taken in 2005/6, but since then, in the light of technological advances, etc., no independent review of "socially and environmentally preferable" alternatives has been undertaken].

(c)

why EIB has proceeded with this loan to a new public service utility (called "Tideway", "IP", or "Bazalgette"), who were awarded a long-term Licence under an international bidding process for which there were only two bidders? Under normal bidding procedures, only two bids can be viewed as "non-competitive", requiring a review of the whole process, etc.?:. and

(d)

why EIB is providing a loan to a project entity, Tideway, whose funding is so structured as to circumvent the balance sheet requirements for (UK) national accounts under ESA 2010?.

It is also noted that EIB's spokesperson (Vice President) for this loan to Tideway, who counts amongst his responsibilities compliance, relations with the European Anti-Fraud Office (OLAF) and the European Ombudsman, is a past employee of both HM Treasury, - who are providing contingent financial support for Tideway, as it is a "private" venture, - and UBS, - the architect and Financial Advisor to Thames Water and for the Tunnel project, which also undertook, with Thames, the tender process,

evaluation and adjudication for the Tideway Licence.

Furthermore, the Chief Financial Officer of the borrower to the EIB loan, Tideway, is ex-Head of European Power & Utilities, UBS, an appointment made by Thames Water / UBS themselves in Aug 2015, when Tideway received its Licence.

I look forward to receiving your explanations.

Martin Blaiklock
Consultant
Infrastructure & Energy Project Finance