

Russian Federation: Corruption scandal around the construction of the ESPO oil pipeline

On November 16, one of the best-known Russian bloggers, the lawyer Alexei Navalny, published online documents about large-scale financial fraud during the construction of the Eastern Siberia–Pacific Ocean pipeline (ESPO). The documents he has disclosed, which come from the internal audit of the project carried out in 2008 by the investor Transneft, indicate that during the pipeline's construction in 2006-2007, over US\$4bn was embezzled. According to Navalny, Transneft's board of directors and the highest authorities in Russia are responsible for this massive fraud.

The ESPO Pipeline is the largest infrastructure investment in Russia since 1991. The construction of just the first of its sections, which started to be operated in December 2009, has cost approximately US\$15bn; the cost of the second (which is planned for completion in 2014) is estimated to cost a similar amount. Already during work on the pipeline, experts have said that the investment costs have been significantly overstated. After the then head of Transneft, Semyon Vaynshtok, was replaced by Nikolai Tokarev at the end of 2007, the Chamber of Accounts ordered an audit of the project, part of which involved an internal audit carried out by the company itself; however, the findings have not been made public. Navalny obtained this second document and has published a substantial part of it online. The documents show that during each stage of the construction, the law was repeatedly violated, tenders were won by companies linked to Transneft's management, and that the construction costs were artificially inflated by over US\$4 billion.

Despite clear evidence of a large scale embezzlement, nobody has been arrested or charged, and no investigation has been initiated. The documents published are primarily an attack on Transneft's previous and current boards of directors, but also on those members of the Russian government who are responsible for supervising the petroleum sector. The disclosure of these documents has provoked extensive discussion on the Russian internet, but has passed almost unremarked in the Russian electronic and printed media (only the daily *Vedomosti* has reported the issue). <Wojk>