



global witness

*More funny
business in
Europe's gas
trade*

**HOW A FIFTH OF HUNGARY'S GAS
SUPPLY CAME INTO THE HANDS OF
AN UNKNOWN SHELL COMPANY**

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Mr Firtash used to conceal his ownership of gas companies. Now he has been replaced as the owner of Emfesz by persons unknown.
Credit: Daniel Lynch/ft

The takeover of Hungary's largest independent gas supplier, Emfesz, by a shell company with unknown owners has once again highlighted the opacity of the natural gas trade from the former Soviet Union, a key source of gas supply for Europe.

The European Union needs to respond by ensuring full transparency of all companies that supply Europe with gas and oil.

GAS OPACITY FROM UKRAINE TO HUNGARY

Global Witness first raised concerns about opacity in the gas trade in our April 2006 report: *It's a Gas: Funny Business in the Turkmen-Ukraine Gas Trade*. This latest story from Hungary suggests that the European Union and its member states are still failing to grasp the need for greater transparency in the gas trade, even after two gas disputes between Russia and Ukraine in 2006 and 2009 which temporarily cut energy supplies to thousands of Europeans.

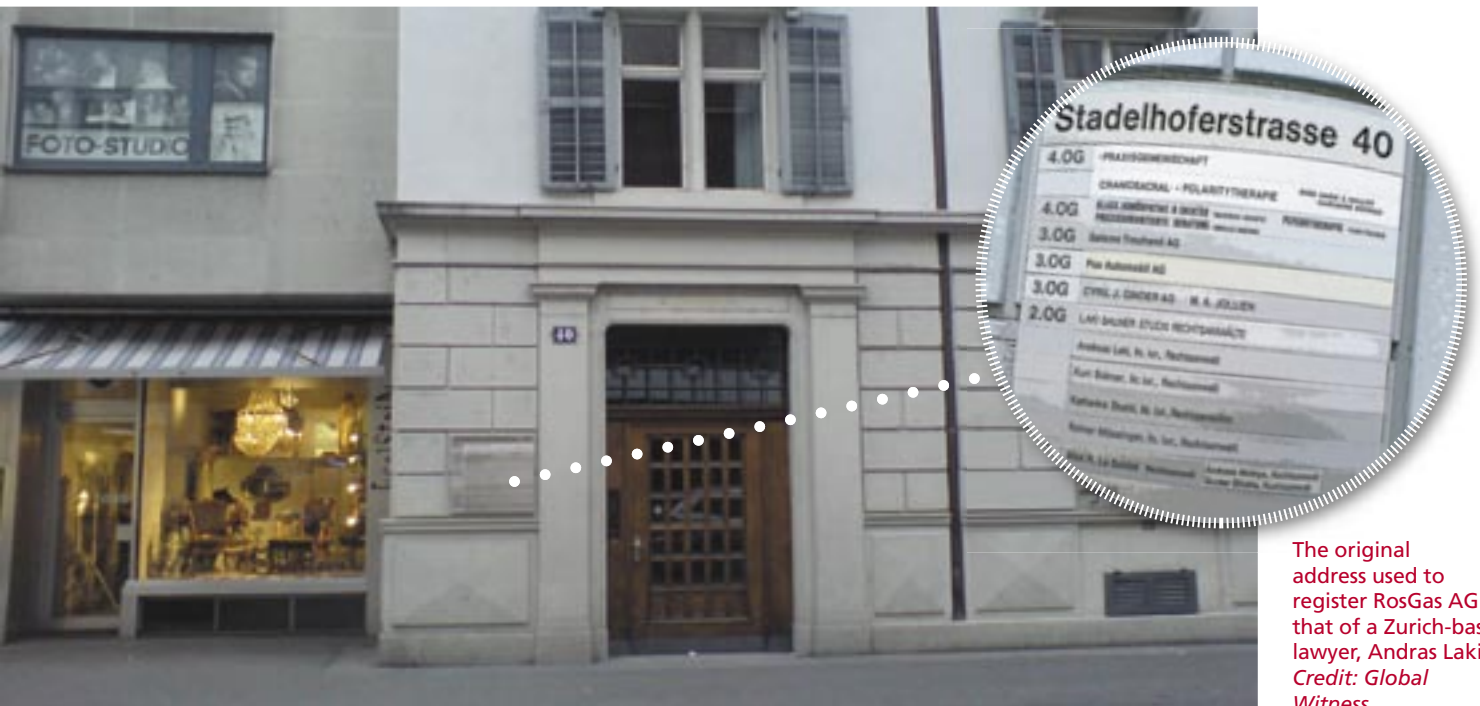
Both disputes featured opaque intermediary companies which were supposed to act as mediators to stop conflicts from arising. However, two gas cut-offs in three years indicate that such middlemen do not prevent disputes and may in fact be part of the problem.

The settlement of the latest gas conflict between Russia and Ukraine in January 2009 led to the controversial intermediary company RosUkrEnergO losing its position supplying gas to Ukraine. RosUkrEnergO is jointly controlled by Russia's Gazprom and Ukrainian businessman Dmytro Firtash and an associate.¹ Though the removal of RosUkrEnergO has simplified gas relations between Russia and

Ukraine, it has led to further opacity elsewhere in the energy trade. Until recently, Firtash also owned a major Hungarian gas supply company called Emfesz. It now seems that Firtash, who had previously hidden his part-ownership of RosUkrEnergO through opaque corporate structures, has been supplanted in the Hungarian gas market by an even more opaque company called RosGas AG, which currently appears to have no significant assets, or even an office of its own, and whose address is that of a mobile phone company in a Swiss low-tax jurisdiction.

Earlier this year, Global Witness wrote to the President of the European Commission, José Manuel Barroso, warning of the threat posed to the security of EU energy supplies by the lack of transparency in the ownership and operations of Europe's gas suppliers. The bizarre story of RosGas AG gives further evidence of the urgent need for Europe to address this threat.

"Far from seeing more transparency since the end of the latest Russia-Ukraine gas crisis, we are seeing even more opacity, as this story in Hungary shows," said Global Witness campaigner Tom Mayne. "The EU and its member states need to wake up to the need for much greater openness about who controls the continent's gas supplies."



The original address used to register RosGas AG is that of a Zurich-based lawyer, Andras Laki. Credit: Global Witness

“Who controls the gas supply into the European Union is fundamental to the issue of energy security. If we don’t know who they are, then how can we be sure that the energy we need will continue flowing?”

TOM MAYNE, CAMPAIGNER, GLOBAL WITNESS

FIRTASH: LOCKED OUT OF HIS OWN FIRM

Dmytro Firtash attained a central position in the gas trade through his involvement with a series of opaque intermediary companies, whose history is related in *It's a Gas*.² Firtash also became the owner of Emfesz, which was founded in 2003 and has since become the gas supplier of more than a fifth of Hungary's domestic customers and 80% of the country's chemical industries. The available information suggests that Firtash has now lost control of Emfesz through a transaction which is currently as hard to explain as those which brought him to prominence.

The story began on 28 April 2009 when Emfesz announced that it was switching its gas supplier from RosUkrEnergo, which is controlled by Firtash and Gazprom, to a hitherto unknown Swiss company called RosGas AG. Emfesz explained the switch by

saying that RosUkrEnergo “was experiencing storing difficulties in Ukraine”. This appears to be a reference to the latter’s problems in using Ukraine’s gas infrastructure since the recent Russia-Ukraine gas dispute.

Emfesz also said that: “RosGas is a company in Gazprom’s network of business interests ... Gazprom, whose interest is to keep EMFESZ consumers supplied with gas, has played a role in shaping the system.”³ However, on the same day Gazprom’s spokesman said that RosGas “has no relation to Gazprom and is not a Gazprom group company”.⁴

On 7 May 2009, Emfesz told the press that it had been bought by RosGas AG.⁵ A unit of Mr Firtash’s holding company, Group DF, then issued a statement that its shares in Emfesz had been “fraudulently transferred” to RosGas AG the day before by the general director of Emfesz, István Góczy.⁶ Firtash’s company added that: “Our understanding is



Zug: its low rate of tax makes it a business favourite. Both RosUkrEnergo and RosGas AG are registered there. Credit: Wikipedia/Roland Zh

that Mr István Góczy ... has carried out this transaction based on a power of attorney given to him in October 2004, primarily giving him the powers to carry out the original acquisition of Emfesz."⁷ Group DF said on 11 May that it had removed Mr Góczy from its board and would pursue legal action to reverse the transfer of shares.⁸

Global Witness has made repeated efforts to seek comment from Mr Góczy and from Emfesz. On six occasions we were put through to the extension of the Emfesz director of communications, Dr Igor Gallyas, yet each time received no answer. Global Witness also faxed and emailed a series of questions to him. An Emfesz assistant confirmed on 20 May that she had forwarded the questions to Dr Gallyas but he had not responded by the time this briefing was published.

David Brown, the chief executive of Group DF, said on 15 May that the Hungarian Energy Office [HEO], a state agency which oversees the gas sector, had consented to the transfer of ownership of Emfesz in a single day and without any evidence that Firtash's company had agreed to this.⁹

In emailed answers to a series of questions, Mr Brown told Global Witness that "we have been denied access to Emfesz" and "anticipate bringing criminal proceedings."

He added that: "We have made numerous efforts to contact Mr Góczy but he has refused to have any communications with us whatsoever." Mr Brown was more forthcoming here than in 2006 when he and his colleagues declined to answer questions from Global Witness about their involvement in the gas trade.¹⁰

The HEO told Global Witness that RosGas AG used an "internationally [...] acknowledged law firm" to seek its consent to take over Emfesz and had submitted all the documents required by Hungarian law.

The HEO added: "Please note that according to Hungarian laws it is not the duty of HEO to investigate the compliance of such transfers of ownership with the relevant laws. Further, HEO does not wish to make any statement on the dispute of ownership as there is [a] law suit at the court of registry going on at present to investigate and judge this issue."¹¹

ANYBODY HOME AT ROSGAS?

Global Witness called several people associated with RosGas AG on 14 May 2009 to try and learn more about the company. Here are two of the conversations, translated from the German.

Connect Phone: Connect Phone GmbH, Ulrich, hello?

Global Witness: Hello, this is _____. Can I please talk to Mister Andras Laki?

CP: [Pause] Ahm. You have the wrong number I think.

GW: Andras Laki?

CP: From which company?

GW: From RosGas. We have found that you are apparently the address of RosGas.

CP: Mmh yeah but I can't connect you. What is it about?

GW: We are just trying to get in touch with him. And find out his number or contact details. And that's why we're trying via you.... You have nothing...

CP: Maybe you can do it by writing.

GW: Yes and there is no one from RosGas we could talk to?

CP: No. There is no RosGas here.

GW: OK. Good.

CP: Maybe you can do it by writing.

GW: OK, thank you.

CP: You're welcome.

GW: Goodbye.

CP: Goodbye.

Assistant: Laki Balmer Stuki attorneys, this is ____.

GW: Hello, this is _____ again. Could I speak to Mister Laki now?

Assistant: I'll have a look, one moment please.

GW:: Thank you.

Andras Laki: Laki.

GW: Hello Mister Laki, my name is _____. I am calling from an organisation called Global Witness in London.

AL: Yes.

GW: Do you have a moment? We would like to ask you some questions.

AL: No, thank you. Actually my assistant already told you that I am busy and I don't have any time to answer any questions.

GW: Maybe we could send you something by writing?

AL: No, thanks very much. I don't have time for such things, ok?

GW: You don't know what it is about. May I tell you?

AL: Yes, thanks very much, I told you that I don't have time for such things and please just let me work now, ok?

GW: Alright. Thank you.

AL: Thank you. Goodbye.

GW: Goodbye.

SO WHO IS IN CHARGE OF ROSGAS?

Despite extensive efforts, Global Witness has been unable to find out who actually owns the mysterious RosGas AG. People associated with the firm have declined to talk to Global Witness about their involvement.

We have been unable to find the company's office, but have learned that its correspondence address is that of a mobile phone company in the Swiss tax haven of Zug. There is no evidence to suggest that RosGas AG is currently anything more than a shell company.

Curiously, the HEO does not seem to know who owns RosGas AG either, despite having rapidly approved its takeover of Emfesz. The HEO said in an emailed response to questions from Global Witness that: "in the resolution we asked for further information in [the] Hungarian language on the new owner's owner as the full ownership structure was not transparent enough."¹²

A spokesman added that the HEO was seeking information on the "structure of 'owners' tree'", presumably the chain of ownership of the company. RosGas AG is supposed to provide this information within 45 days of the deal being approved. But even if it does not, there is no suggestion from the HEO that its takeover of Emfesz will be cancelled. Instead, the company will merely face a fine.¹³

A little more information about RosGas AG can be gleaned from company registration documents available on the internet. These documents show that the company was founded under the name Ikron AG on 21 November 2008 in Zurich, Switzerland, with capital of 100,000 Swiss Francs, approximately US\$90,000, and registered there on 4 December 2008.¹⁴

Ikron AG was registered at the address of Andras Laki, a lawyer, based in Zurich at Stadelhoferstrasse 40. Laki is identified in the records as a member of its supervisory board and sole signatory.

On 18 December 2008 the company was renamed RosGas AG. On 2 February 2009, RosGas AG moved to the canton of Zug with Laki's position in the company remaining unchanged.¹⁵

On 3 April, Laki became a director of RosGas. Its records then identify another member of the company's supervisory board, a Hungarian citizen named Tamás Gazda.¹⁶ Gazda is named in Emfesz company records as a member of its Polish subsidiary's management board.¹⁷

Emfesz confirmed to Global Witness that Gazda was still working at Emfesz as of 19 May. In other words, Gazda appears to be working for Emfesz and RosGas at the same time. Global Witness has not been able to speak to Dr Gazda directly.

Company records from February 2009 give the address of RosGas AG as "c/o Connect Phone Gmbh, Baarerstrasse 79, Zug."¹⁸ Global Witness discovered through internet searches that Connect Phone Gmbh is one of over a hundred companies registered at this address, seventeen of which give their address as "c/o Connect Phone Gmbh."

Global Witness called Connect Phone Gmbh and spoke twice to Ms Andrea Ulrich, a director of this company. Ms Ulrich first said that we had dialled a wrong number and stated "there is no RosGas here" [*Hier gibt es nicht RosGas*] and added "maybe you can do it [ask questions] by writing?" [*Koennen sie ja schriftlich machen, ne?*].

During the second call, Ms Ulrich said she would get someone who knew about RosGas to call Global Witness back. Global Witness also faxed and emailed questions to Ms Ulrich on 19 May, which we requested to be forwarded to a representative of RosGas AG. We have yet to receive a response.

Global Witness also called Mr Laki at his office in Zurich. Before we even had chance to mention RosGas AG, Laki said he was too busy to answer questions (see transcript on previous page). He also declined to respond to written questions.

WHAT THE ROSGAS STORY MEANS FOR EUROPE

Until the question concerning RosGas AG's ownership is resolved, Emfesz, and a crucial percentage of the Hungarian gas market, is in the hands of unknown individuals. Since opaque intermediary companies have played a disruptive role elsewhere in the gas trade from the former Soviet Union, as in the case of RosUkrEnergó, this is not good news.

Ironically, the opacity surrounding RosGas AG is reminiscent of another Hungarian company, Eural Trans Gas. This company won a multi-million dollar gas supply contract in December 2002, only a day after it had been registered. Its ultimate ownership was obscured by nominee directors and later by an elaborate network of front companies. The company was then replaced by RosUkrEnergó, 50% of whose

ownership was obscured through a trust arrangement for the first two years of its existence.¹⁹

Only in April 2006, after Global Witness had questioned his role in the gas trade in *It's a Gas*, did Firtash reveal that he was the owner of Eural Trans Gas and also a 45% shareholder of RosUkrEnergó. The reappearance of such opaque arrangements in the form of RosGas AG does not bode well for the future energy security of the European Union.

The European Union needs to adopt a coherent strategy, implemented by the European Commission and member states, to increase transparency in the gas trade. Until the measures recommended below are taken, significant parts of Europe's gas supplies could fall under the control of persons unknown.

RECOMMENDATIONS:

■ Hungary needs to urgently review whether RosGas AG, a company which does not currently disclose its beneficial ownership or its sources of funds, is a fit owner for Emfesz.

■ The European Commission should produce an annual public report which identifies the beneficial owners of all companies that supply gas to the European Union, or trade gas within it, and the volumes of gas that these companies control.

■ The European Union and its member states should require that no company may supply or trade

energy within the EU unless it publicly discloses its ultimate beneficial ownership and sources of funds.

■ EU-based banks should be required to turn down any business with customers whose ultimate beneficial ownership is not publicly disclosed.

■ All companies based in the European Union that produce or trade energy should be required to disclose all revenue payments that they make to governments, whether in the European Union or elsewhere.

Footnotes

¹ For details of the concerns about RosUkrEnergó, see Six Questions for Gazprom, Global Witness, 8 January 2009. Available at <http://tinyurl.com/pg2bht>

² Global Witness. *It's a Gas. Funny Business in the Turkmen-Ukraine Gas Trade*. April 2006. pp32-59. Available at <http://tinyurl.com/7mrh7x>

³ <http://www.emfesz.hu/index.php?p=news&act=show&cid=197>. Accessed on 21 May 2009.

⁴ Hungarian News Agency (MTI). 28 April 2009. The same statement was emailed on request to Global Witness by Gazprom on 13 May 2009.

⁵ MTI. 7 May 2009.

⁶ http://www.groupdf.com/News_252.asp. Accessed on 21 May 2009.

⁷ Ibid.

⁸ http://www.groupdf.com/News_255.asp. Accessed on 21 May 2009.

⁹ http://www.groupdf.com/News_256.asp. Accessed on 21 May 2009.

¹⁰ Global Witness. *It's a Gas*, p45.

¹¹ Hungarian Energy Office email to Global Witness. 20 May 2009.

¹² Ibid.

¹³ Hungarian Energy Office follow-up email to Global Witness. 20 May 2009.

¹⁴ Swiss company records. Available at http://www.edoceo.ch/en/ikron_ag_CH02030332408.aspx

¹⁵ Ibid.

¹⁶ Ibid.

¹⁷ Company records of Emfesz NG Polksa Spółka obtained by Global Witness.

¹⁸ See <https://www.shab.ch/DOWNLOADPART/N4694848/N2009.04881082.pdf>.

¹⁹ Accessed on 21 May 2009.

Global Witness. *It's a Gas*. pp37-58.



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FURTHER READING

■ It's a Gas: Funny Business in the Turkmen-Ukraine gas trade, April 2006. Available in English & Russian. <http://tinyurl.com/7mrh7x>

■ An open letter to Gazprom Chief Executive, Alexei Miller, January 2009 <http://tinyurl.com/pg2bht>

■ 'To secure its energy, Europe must end opacity', Global Witness comment in The Financial Times, January 2009 <http://tinyurl.com/obrtqf>

■ Global Witness letter to the President of the European Commission regarding corruption and energy security, March 2009. <http://tinyurl.com/p9m264>

Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption

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'The story of one of Hungary's gas suppliers, Emfesz, shows that the European Union is still not dealing with the problem of secrecy in the energy trade. Without knowledge of who controls the gas flow into member states there can be no security of supply.'

TOM MAYNE, CAMPAIGNER, GLOBAL WITNESS