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Mystery figure behind Azerbaijan's state oil company revealed Findings pose a challenge for the Extractive Industries Transparency Initiative

Azerbaijan Anonymous, a new report released today by Global Witness, reveals a shadowy figure in the oil industry of Azerbaijan, a key EU energy supplier. A little-known businessman, Anar Aliyev, has gained ownership stakes, some highly profitable, in at least 48 deals with Socar, the state oil company of Azerbaijan, though it is not clear why he is involved and how his involvement is of benefit to the country.

The research raises the concern that private individuals, including Anar Aliyev and others he may be fronting for, could be benefitting at the expense of the citizens of Azerbaijan. While Socar and its partners may well have acted within the law, the lack of transparency about how these companies came to be involved in the Azerbaijani oil industry raises serious questions over potential conflicts of interest and preferential treatment.

This opacity highlights a credibility problem for the Extractive Industries Transparency Initiative (EITI), of which Azerbaijan is a long-standing member. Currently, a country can comply with the EITI's rules while other key aspects of its energy industry are kept in the shadows, raising the risk of corruption. The EITI is beginning to tackle this issue by piloting the voluntary publication of extractive companies' real "beneficial" owners ahead of making this a mandatory requirement in 2016, although the exact nature of the final requirement has not yet been agreed.

"Our report raises serious concerns that the Azerbaijani people are not seeing the full benefit of their country's oil boom," said Simon Taylor, Global Witness Director. "To stamp out any suspicion, Azerbaijan's authorities should incorporate the disclosure of the beneficial owners of its extractive and oil trading companies into its EITI process and explain Anar Aliyev's relationship with Socar as a matter of highest priority."

Global Witness' findings in *Azerbaijan Anonymous* include:

- Companies owned by Anar Aliyev have announced profits of US\$375 million in deals involving the handling of Azerbaijani oil, though in most cases, Global Witness could find no evidence that these companies were selected through proper bidding processes or public tenders.
- In just one example, Anar Aliyev made US\$118 million in profit in exchange for an investment of just US\$5 million in Socar's Swiss-based oil trading arm Socar Trading. The reasons for his company's involvement have not been adequately explained.
- The ownership of many other companies that have partnered with Socar has not been made public, so it is unclear who is benefitting from some of Azerbaijan's oil deals.
- Socar has created a further oil trading subsidiary in Dubai – Socar International DMCC – of which 50% is owned by hidden private shareholders.

"The EITI should be wary of unwittingly giving credibility to countries that remain mired in corruption and opacity," said Simon Taylor, Director of Global Witness. "It should ensure that identifying beneficial owners means exactly that – not just the names of proxies or companies in obscure ownership chains, but the real people who reap the benefits."

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Notes to editors:

1. The Extractive Industries Transparency Initiative (EITI) is a voluntary initiative, launched in 2002 to reconcile payments made by oil, gas and mining companies with host government receipts. Currently, 25 countries have been validated as EITI-compliant, with over US\$1 trillion of revenue payments disclosed. New rules expanding the EITI's remit to include beneficial ownership transparency, project level revenue reporting and contract transparency were adopted in May 2013.

2. An ultimate beneficial owner is the actual person who reaps reward from and can control a company. This is distinct from the 'legal owner' who may act as a proxy, may not be involved with the day-to-day running of the company or may even be another company that is part of a chain of ownership. Global Witness considers that any politically-exposed people (senior officials, their family members and close associates) that hold any amount of shares in a company should be disclosed.

3. Socar responded to Global Witness' concerns saying "*SOCAR carries out all of its activities and makes decisions in accordance with the laws of the republic of Azerbaijan and internal procedures and regulations of SOCAR, prepared in accordance with the world's best practices of internationally known firms.*" Socar's full response is available on the Global Witness website. Global Witness wrote to the other individuals concerned but received no response.

4. Global Witness is an alternate board member representing civil society on the international board of the EITI.

Global Witness investigates and campaigns to prevent natural resource-related conflict and corruption and associated environmental and human rights abuses