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## With Wind Energy, Opportunity for Corruption

By DOREEN CARVAJAL

The northern trade winds of the Canary Islands have long tempted daredevil windsurfers, but now the gusts rising up to 60 kilometers per hour are attracting giant wind turbines and the millions of euros behind them.

With their blades whirling, the 55 turbines that stand beyond the gray pebble beach of Pozo Izquierdo are stark, white symbols of a growing industry and the potential for abundant clean energy — and corruption.

The town of Santa Lucía Tirajana, host to the annual Grand Slam windsurfing championships, was struck this year with gale force. A yearlong investigation by the Guardia Civil — the Spanish gendarmerie — turned up irregularities in a plan to build a new wind park. Now the mayor, five town officials and two wind park developers are fighting criminal charges that include influence peddling, misuse of public office, misappropriation of land and bribery. The motivation? Up to €40 million in European Union subsidies.

This investigation and others taking place in Europe and the United States shed light on the sometimes freewheeling approach of the fast-evolving wind energy industry. Stoking the frenzy in Europe is the vast revenue available through a variety of subsidies, including the European Union's farm subsidy system, which distributes more than €50 billion, or \$73 billion, a year to farmers, corporate agribusiness and rural development projects.

In Europe, more than €6 billion in structural and agricultural subsidies have been allocated for renewable energy

over a 13-year period ending in 2013. This is an attractive sum for a relatively new industry that experts say gets the benefit of the doubt because it has an eco-friendly image that seems above political reproach. And clean energy is at the forefront of the debate over climate change that is drawing global attention this week in Copenhagen.

The authorities say it is impossible to quantify the level of fraud in public spending on wind energy because investigations are scattered across different countries among the regional and fiscal police. But critics say the available riches and patchy controls are luring a rogue's gallery of corrupt politicians and entrepreneurs trying to literally create money out of thin air.

"It's the same mentality as a Texas oil strike," said Jesus Bethencourt Rosillo, a Santa Lucía lawyer who represents a Canary Islands whistle-blower. "This is a gold rush, and everyone wants a wind park at whatever price."

The European Wind Energy Association — which represents 600 manufacturers and members in 60 countries, including some outside of Europe, and which attracted more than €10.9 billion last year in investments — argues that problems with corruption are rare and that industry regulation is not needed.

"We have fraud legislation in all countries, and this is a matter for the national police," said Christian Kjaer, chief executive of the trade group.

But critics like John Etherington, a former professor of ecology at the University of Wales and author of "The Wind Farm Scam," contends that because the industry is so dependent on subsidies, it is highly vulnerable to scams. Mr. Etherington said that he is "not sure that the industry is regulated at all — let alone well regulated."

Police investigators have been busy across the Continent in recent months. This year five Corsican nationalists were jailed and fined for skimming €1.54 million in European subsidies for wind farms. In Italy — where three investigations are unfolding — 15 people were arrested last month in a case the authorities code-named Gone With the Wind. They described it as a complicated Ponzi-style scheme to reap as much as €30 million in E.U. aid.

One of the suspects — who was briefly held under house arrest — was a former business partner of the founder of a Boston-based energy company called First Wind. The company's records were subpoenaed last year by the New York attorney general's office, which is investigating the state's wind industry to determine whether promoters improperly sought land-use agreements from officials in return for special benefits.

In the United States, one of the top three wind energy producers along with Germany and Spain, the Energy Department is doling out aid covering 30 percent of project costs and has already announced more than \$1 billion in grants — with individual grants near \$100 million.

Wind farm development follows a common pattern in Europe and the United States. It is a complex chain in which, typically, small entrepreneurs strike deals for long-term land leases with farmers and seek local government approvals for wind parks. Then the entrepreneurs sell development packages through intermediaries to large multinational companies or utilities that actually build the wind parks.

Even the big companies have been burned in the process; Vestas Wind Systems, a Danish company that is the leading manufacturer of wind turbines in the world, revealed this year that it was the victim of a €12 million fraud scheme. The company asserts that three top Spanish employees, who are under investigation by the authorities in Barcelona, issued payments for nonexistent services to companies under their control, shifting the money in separate businesses to invest in wind turbines.

In New York, wind developers were prodded over the summer to sign an ethics code barring gifts to public officials, a standard developed by the office of the state attorney general, Andrew Cuomo, who also created a task force to monitor development of the industry.

"It's a very new area of development with the promise of a lot of money that can be made, both for the developers of wind farms and landowners," said John Milgrim, a spokesman for the New York attorney general's office, who noted that the industry had been largely unregulated. "Anytime there's financial dealings, new industry and large sums of

money, there is potential for corruption.

“Part of what government can do is create standards that both sides can follow,” he said, noting that the code establishes a transparent system for public information about land leases and connections between wind developers and municipal officials and their families.

The European wind association does not have a code of conduct for developers, though Mr. Kjaer, the chief executive, said it would have no trouble operating with one.

The board of his association includes a representative from the National Italian Wind Energy Association. In November, Oreste Vigorito, the leader of the Italian association, was arrested in the Gone With the Wind case and accused of participating in an illegal scheme to collect European subsidies. Mr. Vigorito’s lawyer says he is innocent of any wrongdoing.

As long as wind energy benefits from generous subsidies, sometimes “easy money can be made in the sector and that can attract the unscrupulous,” said Jason Wright, a Milan-based director of Kroll Associates, a risk security investigative firm, which has uncovered evidence of bribery and fraudulent environmental evaluations for Italian wind parks.

The lure is basic: a standard 2 megawatt turbine costs about €2.75 million to build and earns about €275,000 a year for the sale of electricity at the market rate. But that revenue can double to about €500,000 with special state-mandated incentives paid by utilities as a premium for renewable energies.

In many countries, wind producers are receiving feed-in tariffs — special premiums above the market rate as a bonus for renewable energy — or special rates for signing contracts over a period of 15 to 25 years.

Richard Robb, a New York investor in wind parks in France and Germany through his firm Christofferson, Robb & Co., said that even with lackluster winds there was a cushion of revenue for investors because of these tariffs.

In Germany, he said, his wind farm qualified for a feed-in tariff of about €83.6 a megawatt hour while the free market price ranged between €30 to €70 — helping to deliver as much as a 15 percent return. “None of this,” he said, “would have been possible without government subsidies.”

Last year Spanish incentives, or “premium” prices paid to wind producers above market rates, totaled almost €1.2 billion, a cost ultimately borne by consumers.

Lately in the land of Don Quixote, some local Spanish prosecutors have been tilting against some of the turbines scattered among the 737 wind parks that produce 16,740 megawatts of energy, mostly in northeastern Castile and León and Galicia. In Galicia, the former head of industry and energy is facing charges of influence trafficking for granting approvals for seven wind parks developed by his brother-in-law.

In the Canary Islands, where there are 44 parks, two investigations led to arrests of public officials and developers on charges of influence trafficking and bribery. The key to cracking those cases was thousands of wiretaps conducted by Guardia Civil investigators.

They were listening to conversations involving Santa Lucía wind developers and municipal officials accused of concocting a secret deal to swap private land near the beach of Pozo Izquierdo for municipal land — because subsidies were more likely to be granted for wind parks on public lands. At stake was up to €40 million from a fund that doles out E.U. aid to regions in Spain’s outer territories.

Silverio Matos, the mayor of Santa Lucía, who is accused of abuse of public office and insider dealing, has insisted he is the innocent victim of political persecution. Judicial proceedings are expecting to resume in January.

Similar investigations are taking place in Sicily, the birthplace of wind energy in Italy. In the Gone With the Wind operation, the authorities uncovered a complicated scheme to harvest E.U. aid, according to Col. Mario Imparato of the Guardia di Finanza. A banking official was part of the plot, he said, verifying documents for subsidies. The

scheme involved an elaborate web of wind companies; one would successfully apply for E.U. funds, use a portion for construction and then send the rest to a company outside Italy, Colonel Imperato said. The foreign companies would then shift money to another company to help it qualify for a larger flow of E.U. subsidies.

A separate investigation, labeled Operation Aeolus, in western Sicily, resulted in the arrests of seven people this year who will face trial in January. In that case, prosecutors allege that organized crime had simply adapted old-fashioned techniques like kickbacks and bribery to make money from new energy, including giving one council member €75,000 and a Mercedes to vote in favor of a wind park.

“Cash is king,” said Anthony Campanelli, a forensics investigator for Deloitte Financial Advisory Services in New York. “In a down economy, individuals might be more inclined to need more cash. They might look at green energy as a mechanism to use ill-gotten funds.”

*Stephen Castle contributed reporting from Brussels and Elisabetta Povoledo from Rome.*

*This article has been revised to reflect the following correction:*

*Correction: December 15, 2009*

*This article incorrectly referred to Mr. Campanelli of Financial Advisory Services in New York. He is Anthony Campanelli, not Andrew.*

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