



# CLIMATE AND CORRUPTION ATLAS

Lessons from real-world cases

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## **Climate and Corruption Atlas: Lessons from Real-World Cases**

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Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of March 2024. Nevertheless, Transparency International cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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# ACRONYMS

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CCS	Carbon Capture and Storage
CDM	Clean Development Mechanism
COP	Conference of the Parties
CSO	Civil Society Organisation
CTSC	Carbon Transport and Storage Corporation
DRC	Democratic Republic of Congo
ETS	Emissions Trading Scheme
FOI	Freedom of Information
GDC	Geothermal Development Corporation
GHG	Greenhouse gas
HFC	Hydrofluorocarbon
Jl	Joint Implementation
LDF	Loss and Damage Finance Facility
UNDP	UN Development Programme
UNFCCC	UN Framework Convention on Climate Change
VAT	Value-Added Tax

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# EXECUTIVE SUMMARY

Climate finance was worth US\$1.27 trillion in 2021-2022 and is forecast to further increase given the commitment under the UN Framework Convention on Climate Change (UNFCCC) to a Loss and Damage Finance Facility (LDFF) and government commitments to Just Energy Transition Partnerships. Bilateral and multilateral development assistance programmes are also gradually shifting their focus to climate-related initiatives.

The large amount of climate finance has created risks for corruption, as has the relative newness of some of the channels and stakeholders involved in its planning and disbursement. Managing these risks is imperative if climate finance is to be used for its intended purpose: securing the transition to clean energy, and ensuring it is a just transition. Unfortunately, corruption is already present in the climate domain.

Corruption is a barrier to the success of mitigation and adaptation initiatives, and has caused multiple other harmful impacts on human society and the environment. The good news is that integrity controls can thwart corruption. By applying controls that close systemic weaknesses in climate finance processes and neutralise enabling factors for corruption, climate actors can protect the integrity of climate initiatives.

This report highlights findings and lessons from cases of corruption documented in Transparency International's online Climate and Corruption Case Atlas, the first digital tool of its kind. The report analyses corrupt behaviours, enabling factors and the negative impacts of cases in the Atlas, and makes recommendations based on this analysis to stakeholders involved in managing climate funds. Adopting the recommendations will ensure better consistency in integrity controls across agencies that provide climate finance and the jurisdictions in which climate initiatives are implemented.



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## FINDINGS AND RECOMMENDATIONS

Case analysis found that corrupt behaviours in the climate domain mirror those in other areas of politics, economy and society. Factors enabling these behaviours are also common outside the climate domain. However, corrupt behaviours have very specific impacts on the climate crisis. For example, corruption in mitigation initiatives has jeopardised the energy transition by preventing reductions in the release of greenhouse gases (GHGs) or by causing less carbon capture than planned. In the worst cases, corrupted mitigation initiatives actually accelerated climate change. In adaptation initiatives, corruption has resulted in substandard infrastructure that is not fit for purpose.

However, the impact of corruption in climate finance extends well beyond mitigation and adaptation initiatives. It has been the catalyst for human rights abuses, and has harmed water and air quality, undermined the just transition, weakened democratic processes, caused an uneven playing field for businesses seeking contracts, and enabled

widespread destruction of ecosystems and biodiversity. Of particular concern is corruption in the climate domain that is connected to organised crime, which occurs in several cases in the Atlas.

Funding agencies and government agencies receiving funds have the greatest potential to make integrity controls consistent across the climate domain, especially by adopting controls that neutralise undue influence over policy processes. However, implementing entities are particularly vulnerable to corruption because of their role in disbursing funds.

This report makes 17 recommendations that draw on findings from case analysis. Transparency International will disseminate these findings and recommendations to key stakeholders in the public and private sectors, and civil society. The recommendations are variously directed to climate finance donors – both multilateral or bilateral; governments and implementing agencies, with a view to enhancing integrity within the climate domain, as summarised below:

Recommendation	Target Stakeholder(s)
<p>1. Establish a policy and procedure for engaging with community stakeholders, including:</p> <ul style="list-style-type: none"> <li>+ Provide resources for community stakeholders to attend decision-making forums.</li> <li>+ Give community stakeholders the right to request explanations of decisions.</li> <li>+ Adopt a gender policy that specifically requires climate-related investment to reduce economic inequality and improve the economic status of women.</li> </ul>	Donors, governments, implementing entities.
<p>2. Establish and implement standards for the quality, publication, and independent verification of emissions and offset data.</p>	Donors, governments.
<p>3. Adopt and implement best-practice policies and procedures to detect and prevent money laundering across climate action programmes, especially in emission trading systems.</p>	Donors, governments.
<p>4. Adopt policies, procedures, resources and staff training, including a code of conduct, to build an ethical organisational culture.</p>	Donors, governments, implementing entities.
<p>5. Make knowledge and experience of integrity issues a criterion for recruitment of senior leaders.</p> <ul style="list-style-type: none"> <li>+ Ensure senior leaders' contracts include key performance indicators that relate to integrity controls.</li> </ul>	Donors, governments, implementing entities.
<p>6. Put in place a policy framework to make procurement accountable, transparent and consistent.</p>	Implementing entities.
<p>7. Monitor implementation of projects, including milestones, quality checks and achievement of outcomes.</p>	Donors, governments, implementing entities.
<p>8. Adopt best-practice financial management standards for climate initiatives.</p>	Donors, governments, implementing entities.
<p>9. Adopt a framework for reporting, recording, detecting and managing conflicts of interest.</p>	Donors, governments, implementing entities.
<p>10. Adopt policies and procedures for due diligence on contractors, suppliers and staff.</p> <ul style="list-style-type: none"> <li>+ Request documents that confirm ultimate beneficial ownership of suppliers and bidders.</li> <li>+ For significant contracts, obtain criminal background checks on suppliers.</li> </ul>	Implementing entities.
<p>11. Ensure integrity standards are in place for the selection and monitoring of implementing entities receiving climate finance.</p>	Donors, governments.
<p>12. When corruption has been identified, implement a process of review, analysis and reform to close systemic gaps that allowed corruption to occur.</p>	Donors, governments, implementing entities.
<p>13. Adopt and implement a whistleblower policy and procedure, including:</p> <ul style="list-style-type: none"> <li>+ A system for reporting a complaint, with at least one independent contact point outside the organisation.</li> <li>+ Prohibition of any kind of intimidation or retaliation against a whistleblower who has made a complaint in good faith.</li> <li>+ An appeal mechanism for whistleblowers unhappy with the management of their complaint or their treatment after they made a report.</li> </ul>	Donors, governments, implementing entities.
<p>14. Introduce a policy and procedure for professional investigation and prosecution of corruption complaints, including:</p> <ul style="list-style-type: none"> <li>+ Target timeframes for investigations.</li> <li>+ Referral to the police, where corrupt acts in breach of national laws are suspected or identified.</li> </ul>	Donors, governments.
<p>15. Establish, publicise and apply penalties when corruption is found, such as reprimands, demotion, fines, termination of employment, termination of contracts, loss of employer pension contributions, or debarment.</p>	Donors, governments.

<b>Recommendation</b>	<b>Target Stakeholder(s)</b>
<b>16.</b> Introduce policies and regulations that give access to information on climate-related decision making, including allocations of funds, tendering decisions, recruitment and policy development.	Donors, governments.
<b>17.</b> Introduce policy and procedures to explicitly manage lobbying activities, including: <ul style="list-style-type: none"> <li>+ Mandatory reporting of lobbying.</li> <li>+ Staff training about lobbying and stipulations for managing it.</li> </ul>	Donors, governments.



# INTRODUCTION

The window for keeping global warming to less than 1.5° Celsius is rapidly closing.<sup>1</sup> Climate finance<sup>2</sup> is intended to enable humanity to achieve this goal by funding initiatives designed to stabilise the climate and to slow global warming. Climate finance is also intended to help communities adapt to climate change and to ensure that the transition to clean energy is just. Integrity in climate governance, including in policy planning processes at international and national levels, is essential if these initiatives are to achieve their planned goals.

However, the integrity and success of climate governance is threatened by corruption. Working at the forefront of researching and formulating governance standards to prevent corruption, Transparency International has a dedicated team and programme focused on integrity in climate governance. The programme produces original research and analysis on ways to prevent fraud and corruption in the climate domain, including recommendations for governments, multilateral organisations, civil society and the private sector.

Because the literature around climate governance remains limited and has mostly focused on theoretical risks and limitations in transparency and accountability, Transparency International has developed an online Climate and Corruption Case Atlas<sup>3</sup> that details cases of corruption in the climate domain. The Atlas is the first instrument of its kind: a digital library of cases that illustrate how corruption negatively impacts efforts to adapt to and mitigate the climate crisis. By analysing Atlas cases for lessons to improve integrity, and making recommendations based on these lessons, this

report contributes to the body of knowledge and best practice around climate governance.

The good news is that integrity controls can thwart corruption and strengthen the integrity of climate initiatives. The Atlas contains multiple cases where corruption was detected and action was taken, including the imposition of sanctions, such as lengthy jail sentences; financial penalties – in some cases totalling over a billion dollars, and debarment from competing for contracts. Integrity tools that are known to work are already available, and how they minimise risk factors is well-understood.<sup>4</sup> The increasing number of new climate finance initiatives can also be protected through such measures; the challenge is their application.



Photo: Biel Moro/Unsplash

## BACKGROUND TO THIS REPORT

Billions of dollars are stake when climate finance is misappropriated or misused. In 2021-2022, total climate finance reached US\$1.27 trillion, including US\$638 billion from public sources (mostly development banks) and US\$626 billion from private sources. The majority of these funds – 91 per cent (US\$1.15 trillion) – are for mitigation initiatives; US\$63 billion (5 per cent) is for adaptation, and US\$51 billion (4 per cent) is dual use.<sup>5</sup> Climate finance will increase even further in the future, as Just Energy Transition Partnerships and the Loss and Damage Finance Facility (LDFF) – developed under the UN Framework Convention on Climate Change (UNFCCC) and operationalised in 2023 at COP 28 – become established. Bilateral and multilateral development assistance programmes are also shifting their focus to climate-related initiatives.

Corruption in climate initiatives imperils the success of mitigation and adaptation activities and has been the catalyst for human rights abuses, the marginalisation of communities and weakened

democratic processes. It also delays efforts to tackle the climate crisis and causes loss of confidence in initiatives to address it. When corruption occurs, the public may conclude that mitigation and adaptation programmes are pointless because funds will be wasted and climate outcomes diminished. Governments may become unwilling to provide funds because of fraud concerns; law-abiding businesses may become reluctant to compete for contracts because they think there is no level playing field; and civil society organisations (CSOs) and researchers may be viewed as accomplices in a corrupt enterprise.

This report has a specific focus on undue influence<sup>6</sup> by major polluters, including the fossil fuel industry, in policy forums such as the UNFCCC's Conferences of the Parties (COP). The problem with undue influence is two-fold. Firstly, it largely occurs in secrecy. The lack of transparency facilitates corruption, makes holding anyone accountable for decisions almost impossible, and means that conflicts of interest are never declared or managed. Secondly, the negative impact of undue influence is far bigger than other behaviours that undermine integrity in the climate domain, such as bribery. This is because the impact of policies, goals, targets and

timeframes agreed in forums such as COP meetings, are global.

## METHODOLOGY

At the time of writing, the Atlas had 76 cases crossing 49 jurisdictions from all geographic regions. However, the Atlas is a “live” resource and is updated periodically, so more data is constantly being added. See Box 1 for more information.

### Box 1: The Climate and Corruption Case Atlas

Transparency International’s online Climate and Corruption Case Atlas was created to document corruption risks in the climate domain, including identifying where corruption has occurred in specific cases, and to capture lessons from those cases. The Atlas is not a definitive list of corruption cases in the climate domain, nor is it the product of a comprehensive literature or media review. It is an ever-expanding database of incidents that have come to the attention of Transparency International’s Climate Governance Integrity Programme. Sometimes this was because the incident was particularly egregious or because it included important achievements in terms of an anti-corruption response. At other times, this was because it involved prominent individuals or received significant media attention. Detailed information about corruption in climate initiatives is not always readily available or even uncoverable, due to confidentiality and secrecy around reporting and investigations. Data available about corruption in the climate domain tends to be in English and reported in Western media, although there are some excellent non-English language sources of information from the Global South (some of which are referenced in this report). This imbalance is currently reflected in the Atlas, in terms of representation, which so far contains more cases from the Global North.

We analysed case information in the Atlas to identify types of corrupt behaviour, its impacts, enabling factors and what responses, if any, occurred when corruption was detected. Note that the dataset is too small to determine whether certain behaviours and enabling factors are more prevalent, either globally or within groups of countries such as the Global North or Global South, or whether they cause more negative impacts than other behaviours.

The Atlas describes major types of corrupt behaviour for each case. In some cases, following closer review for this report, we also identified additional types of corrupt behaviour. We also reviewed information about any judicial processes applied.

For each case, the Atlas has links to open-source information, mostly from the media or publications produced by CSOs. We reviewed this information, and additional open-source data where required, to confirm case details. For some cases, we also used formal statements by police and other authorities to confirm allegations, amounts of money involved, and charges and sentences relating to perpetrators. Data and references about each case are available via the hyperlinks in this report. Cases themselves can be found in the Atlas under a search by country.

Recommendations in this report are drawn from case analysis that has highlighted a systemic gap that allowed corruption to occur.

# CORRUPT BEHAVIOURS AND THEIR IMPACT

For each case, the Atlas identifies behaviour that was corrupt: acts that involve the “abuse of entrusted power for private gain”.<sup>7</sup> These behaviours are common corrupt acts – for example fraud, embezzlement or nepotism – and are not unique to corruption in the climate domain. However, it is in terms of impact that the particular nature and seriousness of corrupt behaviours on the climate crisis become apparent. Corrupt acts have very specific negative impacts within the climate domain, as well as other direct and indirect impacts on communities.

We found that corrupt behaviour in mitigation initiatives jeopardises the energy transition by preventing the slower release of GHGs or preventing planned amounts of carbon capture. In the worst cases, corrupted mitigation initiatives increased the production of GHGs or decreased carbon capture, or both, meaning the effect of the initiatives was opposite to the intention: climate change was accelerated, not slowed. In adaptation initiatives, corruption has resulted in substandard infrastructure that is not fit for purpose, failing to help communities adapt to climate change or requiring expensive remediation. Given that funding for adaptation initiatives is so limited (only 5 per cent of total climate finance in 2021-2022), the damage caused by corruption in such initiatives is of particular concern.

The impact of corrupt behaviour extends well beyond mitigation and adaptation initiatives. Corruption has been the catalyst for human rights abuses and has worsened water and air quality; undermined the just energy transition when communities were harmed by a corrupted project; weakened democratic processes; prevented a level playing field for businesses seeking contracts; and caused widespread destruction of ecosystems and biodiversity.

Below, we highlight an example of each corrupt behaviour from the Atlas, and an example of a negative impact caused by that behaviour.

## CORRUPT BEHAVIOURS

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Table 1 lists 12 types of corrupt behaviour documented in Atlas cases, and an illustrative example of the behaviour. Multiple types of corrupt behaviours were found in nearly all cases, which is to be expected given that corruption frequently involves more than one type of behaviour.

Five corrupt acts were almost equally prevalent across the cases: fraud, undue influence, undeclared conflicts of interest, collusion and bribery. The next two most common corrupt behaviours – retaliation against whistleblowers and illegal gratuities – were much less prevalent. However, as is the case for all identified behaviours, their prevalence is a feature of the specific mix of the 76 cases present in the Atlas and should not be seen as representative of corrupt behaviours across the entire climate domain



Photo: zero take/Unsplash

Table 1: Corrupt behaviours identified in Atlas cases

Corrupt Behaviour	Illustrative Case
Fraud	In <a href="#">Taiwan</a> , a couple defrauded investors in a carbon offset scheme by giving them false information about potential profits.
Undue influence	In <a href="#">India</a> , the CEO of Vedanta Group wrote to the Prime Minister requesting regulations be relaxed to allow increased coal production, and for this to occur with no public discussion.
Undeclared conflicts of interest	In <a href="#">Spain</a> , multiple civil servants issued licences for solar companies in which they or their immediate family had a direct financial stake. The civil servants did not declare a conflict of interest.
Collusion	In <a href="#">France</a> , three companies colluded on bids for renewable energy public tenders, in order to divide up the market and rig prices.
Bribery	In <a href="#">Indonesia</a> , police and government officials took bribes from loggers, miners and palm oil companies, in exchange for ignoring illegal exploitation of forests protected under UN forest conservation schemes.
Retaliation against whistleblowers	In the <a href="#">United States</a> , a scientist submitted her research report on the effects of climate change on national parks. After being told to take out any references to “human action” causing climate change, she filed a formal complaint. The scientist was demoted and her pay cut, then her research budget was cancelled, meaning she lost her job.
Money laundering	In <a href="#">Slovakia</a> , a government official sold carbon credits to a US company to which he was linked, then laundered the profits through a network of companies until they appeared clean and he could access them via his personal accounts.
Illegal gratuities	In the <a href="#">United States</a> , a company gave campaign donations to the Republican Party and bribes to the Ohio House Speaker, in exchange for legislation favourable to oil and nuclear energy producers.
Environmental crimes	The <a href="#">Zao Galaxy</a> , a Singapore-based chemical and oil products tanker, illegally discharged unfiltered bilge water off the California coast, using special equipment and falsified records to hide the crime.
Embezzlement	In <a href="#">Papua New Guinea</a> , senior staff at the country’s climate change authority stole or misappropriated US\$1.3 million. After they were reported to the police by two whistleblowers, the wife of one suspect tried to bribe the investigating police officer.
Corruption complaints ignored	In <a href="#">Paraguay</a> , senior officials ignored the reports of an environmental official who identified illegal land clearance by agribusinesses.
Nepotism	In <a href="#">Germany</a> , the Environment Ministry’s Deputy Minister appointed the best man from his wedding to be the Chair of the German Energy Agency’s management board.

## A barrier to successful mitigation and adaptation

There are multiple ways in which corruption impedes mitigation and adaptation activities. This section details how this occurs and highlights cases from the Atlas that illustrate the harm.

The most perverse kind of corruption identified increased emissions and so contributed to global warming, rather than slowing it. The Stockholm Environmental Institute exposed systemic corruption in the Kyoto Protocol's Joint Implementation (JI) carbon offset scheme that caused the release of more carbon dioxide CO<sub>2</sub> than would have occurred if the programme had never existed (see Box 2).

### Box 2: Fraud in carbon offset projects increases emissions by 600 million tonnes

Fraud in the use of JI-traded offsets contributed to global GHG emissions being about 600 million tonnes of CO<sub>2</sub>-equivalent higher than they would have been if countries had resolved emissions targets domestically. Three-quarters of JI projects were of low environmental quality. Many did not observe the JI requirements that reductions in emissions under the scheme must be in addition to reductions that would have occurred anyway in the absence of the project. Others were completely fake projects that never existed. In Ukraine and Russia in particular, project approval was not dependent on environmental impact, but on connections and kickbacks. The scheme was open to abuse, as states could transfer carbon reduction credits to wealthier countries without any proper verification as to whether carbon cuts had actually been made.<sup>8</sup>

Several cases involved corruption that meant emissions were not captured as planned. At best, this meant project outcomes were suboptimal; at worst, the project was a total failure. Box 3 highlights two cases where emissions were not captured and the initiatives did not work as claimed.<sup>9</sup>

### Box 3: Embezzlement causes total failure of carbon capture project

In 2007, a carbon offset start-up, KlimaFa, was formed in Hungary by a San Francisco promoter, Russ George, and a Hungarian partner firm. In a public relations (PR) stunt, George met with Vatican officials and gave them carbon offset certificates, promising to make the Vatican the world's "first carbon-neutral sovereign state". KlimaFa claimed it would offset carbon emissions by planting millions of trees in Hungary. When the company unexpectedly shut down, it was revealed that no trees had been planted. All profits from selling Vatican offsets were stolen and no emissions were ever offset.<sup>10</sup>

### Fraudulent offset scheme sees "protected" forest cut down

An American offset firm, NIHT Inc, partnered with local communities to conserve forest scheduled to be logged in Papua New Guinea. NIHT sold carbon credit offsets for the protected forest to prominent institutions and corporations, such as Sydney Opera House and Nespresso. NIHT claimed it protected the forest, allowing additional carbon to be sequestered, and delivered social programmes to 47,000 people. A media investigation found that during 2020-2022, commercial logging occurred in the protected areas. Following the investigation, NIHT conceded that logging had been occurring since 2020 in areas supposedly protected, and that the number of beneficiaries of social programmes was half its claims.<sup>11</sup>

Some climate initiatives have emissions reductions as their direct goal. Others have reductions as an indirect goal, as with an energy efficiency project in Russia, which failed to achieve any outcomes, including GHG reduction, due to corruption (see Box 4).

#### **Box 4: Corruption prevents reduction in GHGs**

From 2010 to 2017, millions of dollars were misappropriated from a US\$7.8 million project in Russia, funded by the Global Environment Facility and managed by the UN Development Programme (UNDP). The project goal was to align Russian energy efficiency standards to those of the European Union (EU), to reduce GHGs. During the project, seven different whistleblowers made allegations of corruption. A UNDP evaluation found “strong indicators of deliberate misappropriation”, and an internal audit identified shortcomings and called for reform. An internal investigation identified irregularities, including private companies sitting on a committee that approved contracts, while bidding for those same contracts. The biggest loser was the environment: the final project review concluded the initiative had not met its objectives or achieved any useful outputs.<sup>12</sup>

Adaptation initiatives are intended to reduce the impact of climate change on local communities, including protecting them from more frequent and extreme weather events, such as flooding caused by heavier rains or rising sea levels, or from hurricanes. Case analysis found that corruption caused vulnerable communities to remain vulnerable. Box 5 highlights three cases in which corruption meant infrastructure was constructed in the wrong place or to inadequate specifications, or was substandard and not fit for purpose, and so required remediation. Other adaptation finance was embezzled, meaning no benefit came from its disbursement.

#### **Box 5: School and storm shelter built on the wrong riverbank**

In Bangladesh, a large new building was built next to a river to double as a school in calm weather and a community shelter during cyclones. But the fishing community it was built to serve lives on the opposite riverbank, and during storms, crossing the river is too risky, so the shelter cannot be used. This was no accident. In a case of local-level nepotism, the government engineer responsible for building the shelter placed it near his house for his own convenience. A lack of oversight by government officials, and a failure to involve local people in the planning and construction process, created the opportunity for corruption.<sup>13</sup>

#### **Building code violations result in historic flooding**

In parts of Manila, in the Philippines, the government mandated a flood-line of 17 metres above sea level, meaning construction below this height was no longer authorised. However, a new land development project in Manila built homes and buildings only nine metres above sea level. When Typhoon Ketsana hit in 2009, the new development saw some of the worst flooding in Manila’s recorded history. Subsequent investigation found the project had to pass through 32 signatories before approval. Corruption in the granting of permits and licences allowed these to be issued in violation of zoning and building codes. The extreme flooding was the result of corruption, not the weather.<sup>14</sup>

#### **Embezzlement of research funds to detect wildfires**

A European research consortium of five small enterprises from France, Ireland, Romania and Spain, won a €410,000 Research Executive Agency grant to investigate better forest fire detection methods. Climate change is making forest fires in Europe more frequent and intense. However, the consortium’s initial funding application and subsequent progress report were “based on lies and justified by false documents” and the consortium embezzled all the funds – meaning fire-detection methods were not improved.<sup>15</sup>



## Negative impacts beyond emissions

A key finding of this report is that corruption in climate-related initiatives has an impact well beyond causing failure to achieve climate goals. This section highlights cases that show such impacts.

Many climate-related initiatives are located in or near communities already marginalised or historically mistreated for generations – for example, Indigenous peoples around the world. Human rights abuses are an especially egregious outcome of corrupted climate initiatives, while respect for human rights is essential to a just energy transition. Box 6 details the case of a hydroelectric dam in Guatemala, partly funded by climate finance from development banks, that was the catalyst for violence and the deaths of seven people.

### Box 6: Violent response to Indigenous climate protesters

In 2015, the UNFCCC's Clean Development Mechanism (CDM) registered a hydroelectric dam in Guatemala, funded through private equity backed by the International Finance Corporation (IFC), Dutch and German development banks, and Spain's Agency for International Cooperation. UNFCCC's approval gave the project carbon credits that could be traded in the EU's Emissions Trading Scheme (ETS). However, the project required flooding that would displace Indigenous Mayan people, who have suffered centuries of violence and abuse. The community said there was no free, prior and informed consent, and it did not want the dam, which would deprive it of land, water, food and transport. When Mayans protested, the project developer and authorities responded with violence. Police sent to quell protests and to evict residents to make way for construction work fired tear gas and stole from villagers' homes. Seven people were killed. Mayan organisations, international CSOs and European politicians campaigned to revoke the project's CDM registration. This was cancelled when the IFC Ombudsman found serious failings in project planning and funders withdrew support. UNFCCC now integrates human rights into its decisions.<sup>16</sup>

A cross-cutting consequence of corruption is that people can become afraid to engage in public debate, comment on climate projects, or even talk about corruption in general. This occurred in South Korea's Four Rivers Restoration Project, where 18 firms colluded to rig bids on contracts to build dams to control flooding that is worsening due to climate change.<sup>17</sup> While some academics, NGOs, journalists and farmers living next to the rivers were willing to speak about how the project had negatively affected communities, others were afraid that doing so could be dangerous for them and jeopardise future project funding from the government.<sup>18</sup> When such an atmosphere of fear or general lack of transparency is created, the effect on climate initiatives is that no one speaks up to advise that additional or different inputs are required. The perspectives of key stakeholders, including beneficiaries and affected communities, are ignored because no one pushes for their participation. The reduced scrutiny facilitates even more corruption and mismanagement.

Recommendation 1 is designed to improve community engagement related to climate initiatives:

**Recommendation 1:** Establish a policy and procedure for engaging with community stakeholders, including:

- + Provide resources for community stakeholders to attend decision-making forums.
- + Give community stakeholders the right to request explanations of decisions.
- + Establish a gender policy that specifically requires climate-related investment to improve women's economic status and reduce economic inequality.

Corruption in some climate initiatives has also weakened democratic processes, such as when a decision-maker authorises an activity in return for votes or financial donations to their political party. Being promised votes or receiving donations does not necessarily guarantee the decision-maker or their party will win an election. However, agreeing to illegally authorise a project in return for votes or donations undermines democratic concepts of electors having freedom to choose without being manipulated, and of political parties raising funds due to the popularity of their policies, rather than because they permit illegal activities. See Box 7 for two cases where corruption undermined democracy.

### **Box 7: Coal mines illegally authorised in return for political donations and other kickbacks**

In East Kalimantan, Indonesia, the Regent of Kuti Kartanegara District, Rita Widyasari, was known as the “Queen of Coal” for the number of coal mining licences she granted. Widyasari was also the head of the Golkar Political Party’s local chapter. An investigation by Indonesia’s Corruption Eradication Commission found her personal assets grew almost tenfold from 2010, the year she became district chief, to 2015 when she ran for re-election. She took \$7.7 million in kickbacks and bribes from 2010 to 2017 in exchange for issuing coal mining licences and approving environmental impact assessments, and she gave permits to coal mining companies where her family members were board members. Widyasari’s Golkar Party and other Golkar politicians also received campaign contributions from the coal industry after Widyasari approved their permits. The illegal projects had a notable climate impact. Forest was cleared for mines and access roads, reducing carbon sequestration, and coal mines were opened, increasing emissions. Road networks also facilitated further deforestation, such as for oil palm plantations. Widyasari was sentenced to 10 years in jail and fined US\$42,000.<sup>19</sup>

### **Illegal authorisation to log rosewood in exchange for votes**

In Zambia in 2016, a senior customary chief successfully pressured people within his chieftaincy to vote for Zambia’s incumbent president, President Lungu, in exchange for the President illegally authorising him to log and export rosewood, an internationally protected species. Logging that targets specific species causes wider deforestation, as access roads are built and surrounding vegetation is also damaged. The illegal rosewood trade in Zambia involves collaboration with organised crime networks that traffic both timber and minerals.<sup>20</sup>

The private sector is implicated in most of the corruption described in the Atlas cases, in that it exchanges bribes and illegal gratuities to obtain authorisation for investments and deals, or to have illegal activities ignored. Illegal authorisations are usually given by public officials, but sometimes by community leaders. The willingness of some businesses to pay bribes and use corruption erodes the ability of honest businesses to compete on a level playing field for climate-related contracts, as shown in Box 8.

### **Box 8: Illegal greenhouses gases imported for use in Europe**

Thousands of tonnes of hydrofluorocarbons (HFCs) enter the EU illegally every year. These are used for cooling in air-conditioning or refrigerators and are a potent GHG, contributing significantly to global warming. The EU introduced regulations in 2014 to phase out their use. An enquiry by the Environmental Investigation Agency found that illegal HFCs that enter the EU are made in China, shipped to Turkey or Ukraine in gas bottles, then smuggled into the EU – often through Romania, due to its poorly regulated borders and the presence of corrupt border officials. Companies selling the HFCs falsely claim they meet EU regulatory standards. Legitimate, regulated suppliers in the EU that recycle refrigerants for authorised resale, reducing the need to manufacture new gases, cannot compete with the illegal imports.<sup>21</sup>

Cases analysis identified several instances where corruption deprived government treasuries – and citizens – of millions in revenue. Box 9 highlights three scams, all involving the EU’s ETS, including one where fraudsters misappropriated a staggering €385 million (US\$540 million) in Value-Added Tax (VAT).

### **Box 9: French government loses €385 million in VAT fraud**

In France during 2008-2009, a criminal syndicate purchased legitimate carbon credits from European countries that did not add VAT, then resold them in France where the addition of VAT was required for resale. The VAT collected was supposed to go to the French government, but the crime network failed to pay VAT worth €385 million (US\$540 million) to the French Treasury, instead laundering it through offshore jurisdictions into private bank accounts.<sup>22</sup>

### **Slovakian government loses €70 million in emissions pricing scam**

In 2008, the Slovak Ministry of the Environment sold 15 million tonnes of CO<sub>2</sub> emission units to a small, previously unknown, US firm, Interblue. The ministry directly allocated the contract to Interblue without any tender or auction, and the minister refused to disclose the selling price. Journalists subsequently discovered that an Interblue manager had previously worked at the ministry. The emissions were sold at around half their market price, causing Slovakian citizens to lose revenue of up to €70 million, and Interblue staff laundered profits from reselling their cheaply bought Slovakian emissions, through a network of companies until they appeared clean.<sup>23</sup>

### **Falsified emissions data used to avoid millions in tax**

Two coal-fired energy plants in Bulgaria are owned by the wealthy entrepreneur Hristo Kovachki. The plants are required to submit emissions data to the EU's ETS, to determine the tax they pay on emissions. Data submitted by a third-party verifier later found to have links to Kovachki, meant Kovachki's two plants avoided paying between €26 million and €32 million.<sup>24</sup>

Organisations differ in their transparency, data definitions, and the accuracy and clarity of their data, which makes identifying corruption and fraud more difficult. Recommendation 2 is designed to improve the quality and accessibility of data on emissions, thereby improving the ability to measure the success of emissions-related initiatives, as in the Bulgarian case in Box 9.

**Recommendation 2:** Establish and implement standards for the quality, publication and independent verification of emissions and offset data.

Stemming from the French and Slovakian cases above, Recommendation 3 addresses money laundering:

**Recommendation 3:** Adopt and implement best practice policies and procedures to detect and prevent money laundering across climate action programmes, especially in emission trading systems.

As well as negative impacts on human society, corruption can also cause devastating impacts on ecosystems and biodiversity. Cumulatively, across jurisdictions, corruption has resulted in the clearance of vegetation across tens of millions of hectares, usually for logging, mining or agribusiness – for example, palm oil plantations or cattle ranching. Typically, government officials illegally authorise permits or licences for land clearance, including in protected areas, either directly in exchange for bribes, or because of an institutional culture of ignoring laws and regulations due to pressure from business interests. Box 10 highlights ecosystem destruction in Paraguay that also has climatic consequences.

### **Box 10: Illegal authorisation of forest clearing for agribusiness**

The Gran Chaco biome, which crosses Paraguay, Bolivia, Brazil and Argentina, is home to Indigenous communities and is noted for species such as jaguars, giant anteaters, tapir, peccaries and armadillos. In 2012, an NGO, Guyra Paraguay, discovered that extensive deforestation was occurring in protected Paraguayan areas of the Chaco. Senior ministry officials had illegally authorised new soya and beef projects submitted by powerful landowners and Brazilian agribusinesses, in breach of national laws. Destroyed forest included hundreds of square kilometres within an area granted to Indigenous Totobiegosode people, which was bulldozed and converted to cattle pasture.<sup>25</sup>

# ENABLING FACTORS

These corrupt behaviours and their impacts identified by case analysis, were possible because of enabling factors. Understanding the factors that enable corruption is instrumental for identifying the systemic gaps and weaknesses that exist in an institution, a jurisdiction – in terms of its laws and response to corruption – or in the climate domain generally, and therefore for making recommendations to close those gaps.

Enabling factors are a manifestation of existing problems of integrity and governance in a jurisdiction. They connect the climate domain with patterns of corruption in underlying social, political and economic systems. Alignment of integrity controls and standards at the national level, through governments adopting recommendations such as those in this report, will strengthen climate governance and improve overall transparency and accountability across jurisdictions.

Some enabling factors were easy to identify through case analysis, such as a lack of action in response to a whistleblower's report. This means the framework for reporting and managing complaints is inadequate, because it allowed the report to be ignored. The inadequacy of such a framework could potentially include institutional policy, procedures, staff training or laws. However, information available from Atlas cases did not include such granularity. Due to this lack of detail, this section describes enabling factors at a general level only.

Climate finance is disbursed into institutional environments with pre-existing organisational systems that may already have enabling factors for corruption, of varying types to varying degrees. This means that stakeholders should carry out integrity risk reviews of institutions receiving climate finance in advance, to ensure standards and controls are in place. However, lack of coordination between donors, and consequent information gaps or confusion over financial and project monitoring, can create new opportunities for corruption.

Table 2 lists 16 enabling factors and examples to illustrate how each factor enabled corruption. Because of the small dataset, it is not possible to draw conclusions about which factors should be the priority to address. Given the over-representation of cases from the Global North, the prevalence of certain enablers may also say more about systemic weaknesses in these jurisdictions compared to jurisdictions in the Global South.



Photo: AbsolutVision/Unsplash

Table 2: Enabling factors commonly observed in Atlas cases

Enabling Factors	Illustrative Case
<b>Integrity-related enabling factors</b>	
Organisational culture had a weak ethical foundation	In 2022, <a href="#">Swiss-based</a> oil and mining giant Glencore was convicted for systemic bribery of officials from eight countries. Its West Africa Bureau, which organised the scheme, had a culture of fraud and corruption.
Corruption not a priority for senior leadership	In <a href="#">Germany</a> , Volkswagen, Daimler and BMW colluded for years, with executives' knowledge, to not compete over developing new emission-cleaning technologies that could have further reduced vehicular emissions. The EU imposed fines of €875 million, although not on Daimler, which reported the scheme.
Flawed contracting processes	In <a href="#">Kenya</a> , a corrupt tender board allocated a contract for transporting equipment for a new geothermal plant for a price nearly three times what the company had charged for similar work the previous year, and 40 per cent more than the prevailing market price. Corrupt board members planned to obtain kickbacks from the contractor for awarding the tender.
Inadequate project monitoring	In <a href="#">South Korea</a> , 18 construction firms colluded to rig prices on tenders for a project to mitigate flooding and improve water quality along four rivers. The government did not properly manage the project, which saw substandard infrastructure being built, such as dam walls with cracks, and poorer water quality in some areas.
Inadequate financial management	<a href="#">Indonesia</a> has a dedicated fund for reforestation and forest rehabilitation projects. Many recipients fraudulently inflated costs and overstated areas planted. The Ministry of Forestry also disbursed US\$600 million to finance politically favoured projects outside the mandate of reforestation and forest rehabilitation.

### Integrity-related enabling factors

Inadequate framework for managing conflicts of interest	In <a href="#">Chile</a> in 2010, nine months into the first term of President Piñera, the President's family sold their stake in the Dominga mining project to a close friend and business partner for US\$152 million. A condition of the sale was that the government could not strengthen environmental protections in the mine's operations area. The President's conflict of interest was only revealed by the 2021 Pandora Papers investigation.
Inadequate due diligence	In <a href="#">Liberia</a> , a British man met with government officials and allegedly bribed them to secure a contract to sell carbon offsets from tropical forest. The man had no experience or expertise in carbon offsets, having previously manufactured fairground games. Several Liberian officials were subsequently dismissed.
Weak standards for data and data verification	In <a href="#">Bulgaria</a> , two coal plants reported very low emissions data, which experts deemed suspicious, given the type of coal used. The firm hired to verify data was run by a 27-year-old, with no experience verifying emissions and who had business ties to the coal plants' owner. Standards for verifiers and data were unregulated.
Failures in anti-money laundering controls	In <a href="#">France</a> , a criminal syndicate exploited a weakness in the EU's carbon-trading scheme to defraud the government of €385m in VAT. The money was laundered using a network of shell companies, and luxury goods and real estate sales.

### Accountability-related enabling factors

Inadequate stakeholder engagement	In <a href="#">Bangladesh</a> , a school designed to double as a cyclone shelter was planned without consultation or oversight by the intended beneficiaries. The chief engineer subsequently built the school on the riverbank near his home, where the community could not access it in a flood or storm.
Inadequate whistleblowing framework	In the <a href="#">Democratic Republic of Congo</a> (DRC), a director who alleged the forest agency head embezzled US\$38 million in climate finance funds was arrested in retribution. He was only released from custody when his family got help from Transparency International DRC. Neither the forest agency nor the police had adequate due process mechanisms.
Inadequate investigation or judicial process	In the <a href="#">UK</a> , a judge with connections to companies in the fracking industry gave excessive sentences to three men who protested against fracking. The judge did not declare a conflict of interest. There appeared to be no register of interests, which would have alerted the court system to a conflict, and the judge did not recuse himself from the case. The UK judicial conduct investigations office later overturned the sentences.
Weak penalties	In <a href="#">Ukraine</a> and <a href="#">Russia</a> , systemic corruption and integrity breaches were found in carbon offset schemes implemented under the Kyoto Protocol. No one received any penalty for their role in the corruption.
Inadequate appeal mechanisms around decisions	In <a href="#">Peru</a> , companies began illegally logging the Amazonian home of Alto Tamaya-Saweto Indigenous people. The community sent over 100 letters to authorities, reporting environmental crimes and persecution, but were rebuffed. Officials said they would only carry out an assessment if the community paid for their food and transport. The government acknowledged their grievances only after Transparency International Peru and the Inter-American Council on Human Rights became involved.

### Transparency-related enabling factors

Lack of access to information, creating or prolonging integrity gaps	In the UK, the Norwegian oil and gas giant <a href="#">Equinor</a> offered to give more funding to the COP 26 organising unit in exchange for greater "visibility". Because publication of records relating to lobbying is not obligatory, the incident only came to light through a CSO's freedom of information request, which meant no scrutiny or investigation was possible at the time of the incident.
Inadequate transparency around undue influence	In preparation for COP 28, <a href="#">McKinsey and Company</a> , a global management consultancy, used its position as a key advisor to lobby for the interests of its oil and gas clients. UNFCCC lacked clear and robust rules requiring participants at COP meetings to declare affiliations and interests.

The factors listed in Table 2 are manifestations of an already weak integrity control system, either in a specific institution, at the national or international level, or multilaterally. For example:

- + At the institutional level, **flawed contracting processes** in Kenya's Geothermal Development Corporation had the potential to embed a systemic weakness in procurement across this new organisation. Thanks to a whistleblower, the organisation was able to apply integrity controls to this enabling factor.
- + At the national level, **inadequate financial management** – such as lack of policy determining basic standards for accounting, auditing, due diligence and funds allocation – in Indonesia's reforestation and forest rehabilitation fund enabled corruption across all levels of government, in multiple institutions that received funds throughout the country.
- + At the international level, due to an **unethical organisational culture**, Swiss company Glencore saw employees in its London-based West Africa Bureau become embroiled in corruption scandals. Bureau employees sought out West African officials open to bribery and evaded anti-money laundering controls to deliver cash.
- + At the multilateral level, **inadequate transparency around undue influence** has seen agendas and debates at multiple UNFCCC COP meetings shaped in a non-transparent and unaccountable way by fossil fuel interests.

The negative impacts from enabling factors not being controlled varied from case to case. The **weak standards for data and data verification** in Bulgaria saw coal plants emit GHG in excess of what was claimed and also allowed the coal company to evade taxes.<sup>26</sup> Of even more concern, the lack of quality assurance around data created a systemic deficiency in the way Bulgaria – or any other country lacking such standards – measures, regulates and controls emissions. The **inadequate whistleblowing framework** that saw a whistleblower in DRC arrested and jailed when he reported the embezzlement of US\$38 million in UN reforestation funds sent a chilling warning to potential whistleblowers in the climate domain and potentially throughout the DRC.<sup>27</sup> The **inadequate appeal mechanisms** in Peru that contributed to illegal occupation and logging of Indigenous lands for almost two decades were the catalyst for human rights abuses in the form of violence and killings, as well as for illegal logging, agribusiness and drug trafficking.<sup>28</sup>

The following recommendations address common enabling factors identified in Atlas cases:

**Recommendation 4:** Adopt policies, procedures, resources and staff training, including a code of conduct, to build an ethical organisational culture.

**Recommendation 5:** Make knowledge and experience of integrity issues a criterion for recruitment of senior leaders.

- + Ensure senior leaders' contracts include key performance indicators that relate to integrity controls.

**Recommendation 6:** Put in place a policy framework to make procurement accountable, transparent and consistent.

**Recommendation 7:** Monitor project implementation, including milestones, quality checks and achievement of outcomes.

**Recommendation 8:** Adopt best-practice financial management standards for climate initiatives.

**Recommendation 9:** Adopt a framework for reporting, recording, detecting and managing conflicts of interest.

**Recommendation 10:** Adopt policies and procedures for due diligence on contractors, suppliers and staff:

- + Request documents that confirm ultimate beneficial ownership of suppliers and bidders.
- + For significant contracts, obtain criminal background checks on suppliers.

Past reviews of climate funds by Transparency International have featured recommendations to implement best-practice contracting processes, project monitoring standards, financial management standards and frameworks for managing conflicts of interest. The prominence of these factors in Atlas cases reflects that much work is still required. Global climate funds have made significant improvements to their integrity controls. The larger problem revealed by the Atlas cases lies with national authorities' project and financial management, highlighting the need for global climate finance funds to have sound accreditation processes for national partner institutions.<sup>29</sup> A related problem is the challenge of coordinating disbursement of climate finance and implementing programmes across national institutions, and through to the local level where projects are implemented. As evidenced by other research into the disbursement of climate finance in Zambia, better coordination between donors, national

institutions and subnational authorities enhances financial and project management, reducing opportunities for waste and misappropriation.<sup>30</sup>

Recommendation 11 focuses on accreditation of the entities that implement climate initiatives, whether at the national or subnational level:

**Recommendation 11:** Ensure integrity standards are in place for the selection and monitoring of implementing entities receiving climate finance.

Enabling factors for corruption usually coexist with other enablers – that is, there is a complex of factors. However, the absence of just one factor can sometimes make corruption difficult or impossible to commit. This means that where multiple gaps permit the corruption to occur, if just one gap – or enabler – had been closed, the corruption may not have been possible.<sup>31</sup> What this means is that a holistic approach is not always required to reduce corruption that stems from multiple systemic gaps. Rather, if there is an enabling factor that appears to be key, or is administratively easier, cheaper or more politically palatable to control, then this enabler should be the focus of integrity efforts. An institutional risk review is necessary to ascertain the relationship of enabling factors to each other, and their role in allowing corruption to occur. Box 11 illustrates the multiple enabling factors that allowed corruption to exist in the Spanish government's early programme to expand solar energy.



### **Box 11: Multiple enabling factors in a corrupt solar energy scheme**

In 2007, Spain introduced generous subsidies for the construction of new solar energy installations. Many civil servants issued licences for solar companies in which they or their immediate family had a direct financial stake. Another issue arose when the government announced a construction deadline for new solar installations to qualify for state subsidies. Solar power developers rushed to meet the deadline, with several declaring incomplete projects as finished or setting up installations with fake panels. At least six factors allowed the corruption to occur: (1) an inadequate framework for declaring and identifying conflicts of interest (2) an organisational culture with a weak ethical foundation - whereas better trained, more ethical employees may not have engaged in fraud (3) inadequate due diligence, which may have enabled avoidance of solar companies with questionable expertise (4) flawed contracting processes, where more rigorous criteria for subsidy applicants may have blocked some applications (5) inadequate financial management, lacking measure that may have detected poorly prepared or implausible applications close to the subsidy deadline (6) inadequate project monitoring, which may have detected fake panels and incomplete projects. If any one of these enabling factors had been better controlled, the corruption would have been significantly reduced.

Recommendation 12 regarding corruption risk reviews is designed to reduce systemic weaknesses in organisations' integrity frameworks:

**Recommendation 12:** When corruption has been identified, implement a process of review, analysis and reform, to close the systemic gaps that allowed corruption to occur.

# INTEGRITY SUCCESSES

The Atlas also contains cases of integrity success, where corruption was detected and investigated, and those responsible were held to account. In some cases, corruption that could have spread and become systemic due to prevailing enabling factors was identified, and an industry safeguarded. In others, corrupt projects were stopped through investigations by anti-corruption agencies, or journalists or CSOs published reports into suspected corruption. This caused affected organisations to release formal explanations of their practices and make data publicly available, improving transparency and accountability. Box 12 highlights an example from Kenya where corruption was detected and judicial processes brought to bear.

## Box 12: Whistleblower safeguards Kenya's fledgling geothermal industry

Kenya is highly vulnerable to the impacts of climate change and historically has had an energy deficit. To address these issues, the country embraced renewables with the goal of 100 per cent clean energy by 2030. In 2023, 80 per cent of electricity came from renewables, including 50 per cent from its expanding geothermal energy sector. Kenya's Geothermal Development Corporation (GDC) was founded in 2011, with most funding coming from dedicated climate funds. But Kenya also has a corruption problem, ranking 128th on Transparency International's *Corruption Perceptions Index*. Only one year after the GDC was established, a whistleblower reported that its

CEO, general manager and five tender committee members awarded a supplier a contract worth US\$283,000 to move equipment – almost triple what the supplier had charged another client for similar work a year earlier, and 40 per cent more than the prevailing rate for such work. The individuals allegedly intended to steal the excess money by obtaining kickbacks from the supplier. Kenya's Ethics and Anti-Corruption Commission investigated and brought charges, and the individuals were placed on leave. While the case's progress through the legal system has been slow, the whistleblowing system worked, proper investigations took place, and suspect individuals were removed from their roles and are being prosecuted.<sup>32</sup>

The following two recommendations are designed to strengthen whistleblowing frameworks, including protection for whistleblowers and provision of an appeal mechanism for those unhappy with management of their report:

**Recommendation 13:** Adopt and implement a whistleblower policy and procedure, including:

- + A system for escalating a complaint, with at least one independent contact point outside the organisation.
- + Prohibition of any kind of intimidation or retaliation against a whistleblower who has made a complaint in good faith.
- + An appeal mechanism for whistleblowers unhappy with the management of their complaint or their treatment after they made a report.



Photo: John Schnobrich/Unsplash

Case analysis identified several problems with investigations into suspected corruption, including:

- + Slow pace of inquiry
- + Lack of findings, and some investigations apparently cancelled with no resolution
- + Failure to report corruption to national police, which is especially important when corruption related to climate finance appears connected to organised crime networks
- + Lack of prosecution, in some cases suggestive of political pressure
- + Inadequate or no sanctions applied – for example, a government official dismissed for fraud, but receiving no jail sentence
- + Poor transparency around investigations, making it difficult for citizens to understand the process.

Ensuring proper judicial procedures when corruption is found, such as professional police investigations, court processes and sanctions where appropriate, is critical for deterrence. Analysis identified several cases where suspected corruption was dealt with through internal investigations or dismissal of the individuals involved. Such actions

mean the corrupt individual does not receive a criminal record, making it easier for them to move to another organisation and repeat their conduct. Keeping investigations internal also means the organisation escapes external pressure, including from funders, to reform and adopt better integrity controls.

Escalating reports of corruption to an anti-corruption agency or a specialist police investigation unit is especially important when the corruption appears to be connected to organised crime networks, as identified in Atlas cases highlighting wildfires in Italy, chemical smuggling in Romania and Rosewood forests in Zambia. The infiltration and targeting of the climate domain by criminal networks, and conversely, the “invitation” from perpetrators implementing climate initiatives to organised crime groups to collaborate, present major risks in terms of scale and potential systemic corruption. Organisations working in the climate domain do not have the investigative capacity to tackle such corruption. Support is required from professional crime-fighting bodies, such as Interpol or a well-resourced anti-corruption agency, given internal investigators do not have the expertise or access to essential data, nor the jurisdictional

authority to fully and properly investigate, expose and dismantle such networks, especially if transnational.

Recommendation 14 is designed to ensure proper judicial processes are followed when investigating alleged or identified corruption in the climate domain, and that suitable penalties are applied:

**Recommendation 14:** Introduce a policy and procedure for professional investigation and prosecution of corruption complaints.

- + The policy should include target timeframes for investigations.
- + Where corrupt acts in breach of national laws are suspected or identified, matters should be referred to the police.

Case analysis identified multiple examples where the sanctions for corruption were significant. Where penalties were applied to individuals, these were typically dismissal, placement on administrative leave pending an investigation, or jail terms. Media sources contained little detailed information about individual officials implicated in scandals that did not involve jail sentences. However, there is some good information about politicians, because of their public profile. They were usually dismissed, if a minister, or resigned under pressure. In the case of companies, sanctions usually included financial penalties or debarment from contracts for a period. In Cameroon, companies found to have engaged in [illegal logging](#) also had their products confiscated. Box 13 highlights examples of penalties from various cases.

### Box 13: Jail sentences and financial penalties for individuals

- + In Indonesia, a billionaire businessman was jailed for 15 years and fined US\$144 million for his role in deforesting thousands of hectares of land in Sumatra for illegal palm oil plantations.
- + In Taiwan, a couple that established a carbon offset trading firm were jailed for eight years and four years respectively for defrauding investors, and their company was fined US\$800,000.
- + In the UK, a couple that established a carbon offset trading firm and defrauded investors were jailed for 13 years and six years respectively.
- + In France, three ringleaders in a VAT fraud scheme connected to resale of carbon credits under the EU's ETS were jailed respectively for 10 years and fined €20 million, nine years and €3 million, and eight years and €10 million. Thirty-three other defendants received sentences ranging from a suspended jail term to six years in jail and a €200,000 fine.
- + In Italy, two government officials who collaborated with mafia networks to steal subsidies for new windfarms were jailed for seven years and two years respectively.
- + In the United States, two former politicians who received kickbacks from oil and nuclear energy producers in exchange for favourable legislation and subsidies were jailed for 20 years and five years respectively.

### Financial penalties for companies

- + The European Commission fined carmakers Volkswagen and BMW €875 million (US\$1 billion) for stifling innovation in emission-cleaning technology.
- + Glencore, the Swiss oil and mining multinational, was fined US\$700 million in the United States, US\$336 million in Britain, US\$40 million in Brazil, and agreed to a settlement of \$30 million in Switzerland for a massive bribery scheme to obtain contracts across eight African countries.<sup>33</sup>
- + The US government fined Hyundai US\$49 million for [fraudulent importation and sale of diesel engines](#) that failed to meet US emission standards.

- + In South Korea, 18 companies that colluded to rig bids on construction projects in the Four Rivers project to mitigate flooding and improve water quality were fined a total of US\$100 million.
- + Alstom, a French multinational engineering firm, agreed to pay restitution of US\$9.5 million to the World Bank as a penalty for making improper payments in connection with an energy infrastructure rehabilitation project in Zambia.

### Debarment for companies

- + In Zambia, the World Bank debarred affiliates of Alstom, a French multinational engineering firm, for three years for improper payments in connection with the project described above. It also debarred Liaoning-EFACEC Electrical Equipment Company Limited, a Chinese firm, for 20 months for failing to disclose a conflict of interest in connection with a hydroelectricity transmission project.

When corruption is exposed and penalties applied, such as jail sentences, fines or debarment, this causes negative consequences for perpetrators. Even if no penalties are applied, negative exposure alone, such as through media investigations, can cause reputational damage and bring an end to business relationships that create integrity risks.

For example, the construction firms given financial penalties for collusion in South Korea's Four Rivers Restoration Project were banned for a period from bidding for government contracts. They also faced challenges winning new contracts in other jurisdictions. Hyundai Engineering and Construction submitted a bid for a US\$14 billion oil refinery project in Kuwait, but received a letter from the project administrator asking it to explain the penalties it received for its role in the corruption. Another Korean contractor in the process of building a power plant in the United Arab Emirates was also asked to explain its role in what happened. A spokesman for the International Contractors Association of Korea, told the media "...foreign companies considering giving orders to Korean companies are trying to verify issues related to the Four Rivers project." He went on to say, "The scariest thing for Korean companies is that they might lose the credibility they have developed with foreign clients."<sup>34</sup>

In other cases, business relationships came to an end and a key party appeared to become more risk averse in its choice of commercial partners. Following allegations of fraud by Bloomberg Media, South Pole, the Swiss-based offset firm, terminated its contract with its Zimbabwean partner, Green Carbon Investments, and effectively abandoned the Zimbabwean offset market.<sup>35</sup> In another example, clothing retailers Zara and H&M ended their sourcing contracts for paper and packaging from two large Indonesian pulp and paper producers exploiting tropical forests. The producers, TPL and APRIL, had fraudulently mislabelled a type of pulp used for packaging to evade taxes worth US\$168 million.<sup>36</sup>

Recommendation 15 is designed to ensure appropriate penalties are in place to deter corruption:

**Recommendation 15:** Establish, publicise and apply penalties when corruption is found – for example, reprimands, demotion, fines, termination of employment, termination of contracts, loss of employer pension contributions, or debarment.

The deterrence effect of certain types of sanctions may vary depending on the type of perpetrator. Debarment, for example, "is only likely to be a successful deterrent mechanism for corporate entities with global interests and/or a reputation to protect", and is less likely to be a deterrent for "individuals and small entities without an international reputation to protect".<sup>37</sup> This insight holds true for the South Korean construction firms that colluded on the Four Rivers restoration project. They had global reputations to uphold, and were asked to justify why they should retain contracts or be awarded new ones.

# HOW UNDUE INFLUENCE UNDERMINES CLIMATE ACTION

Corporations with fossil fuel interests strategically seek to gain and wield undue influence on decisions around climate finance. They do this in ways that weaken climate policy and protect the coal, oil and gas industries, such as by seeking to weaken or abolish parts of the permit process for fossil fuels, or to make governments' climate targets less ambitious. They can also constrict public debate on new projects or proposed expansions, and obtain financial support from taxpayers.

Companies use three approaches to create and exert undue influence. They engage in extensive lobbying and, connected to this, greenwashing,<sup>38</sup> in which they withhold negative information about their environmental performance, and promote or exaggerate their investments in certain environmental initiatives, to repackage themselves as being "pro-climate". This enables and helps them to crowd out and out-compete other voices, while continuing to produce fossil fuels. They can also provide financial incentives to decision makers, and use third parties to push their interests without declaring a conflict of interest. The degree to which there is a coordinated "guiding hand" behind each tactic, or across tactics, is unclear, but the effect is the same: multi-layered, multi-pronged influence designed to weaken the energy transition. This section analyses cases to illustrate each method and the tactics it involves.

Polluters have worked systematically to infiltrate the highest levels of global climate decision making to obtain outcomes that benefit the coal, oil and gas

industries. The European Parliament was so concerned about such influence on the UNFCCC, given the convention's role in standards-setting, that it adopted a resolution in November 2023, just before COP28 in Dubai, urging the UNFCCC to take the lead in proposing an accountability framework that would protect its climate work from "undue influence from corporate actors with proven vested interests".<sup>39</sup> Box 14 details cases of undue influence at COPs 21-28.

## Box 14: Undue influence at UNFCCC COPs

**COP21 France:** Shell boasted it could "take some credit" for the inclusion of Article 6 in the Paris Agreement, a critical provision that enabled countries to trade carbon credits and allowed polluters to continue burning fossil fuels, and producers to extract these fuels, as long as they offset it through credits purchased in an ETS.<sup>40</sup>

**COP22 Morocco:** The Global South's efforts to regulate and minimise conflicts of interest in UNFCCC discussions by restricting participation by fossil fuel companies were vetoed by the United States, the EU, Australia and other fossil fuel-producing nations.<sup>41</sup>

**COP24 Poland:** In the three years between COP21 and COP24, the five largest publicly traded oil and gas majors (Shell, BP, Total, Chevron and Exxon)

spent an estimated one billion dollars on misleading climate-related narratives, branding and lobbying.<sup>42</sup>

**COP25 Spain:** The meeting was sponsored by some of Spain's worst polluters after the government asked the 35 biggest publicly traded firms to contribute €2m each. It claimed contributions were needed to host the talks, but then offered tax breaks of up to 90 per cent on donations. Sponsors included the coal and gas utility Endesa, and Iberdrola, which claims to be a renewables firm, but in 2018 invested twice as much to expand gas capacity.<sup>43</sup>

**COP26 UK:** Equinor lobbied the UK's COP26 Unit to give it "visibility" in exchange for more sponsor funding and a level of access not available to others who did not pay the same amount of money. Equinor's communications with the COP26 Unit were not automatically disclosed under UK lobbying regulations. The incident came to light only through a CSO's freedom of information request.<sup>44</sup>

Boston Consulting Group, which has dozens of fossil fuel clients, was engaged by the UK government's COP26 Unit to advise on the UK's climate strategy, even while CSOs faced restrictions on their input into strategy development.<sup>45</sup>

**COP27 Egypt:** The meeting included 636 fossil fuel lobbyists, an increase of 25 per cent over COP26, and a record number.<sup>46</sup>

**COP28 UAE:** Over 2,400 delegates had links to the coal, oil and gas industries – more than the total number of attendees from the 10 countries most vulnerable to climate change.<sup>47</sup>

McKinsey and Company, a global management consultancy, used its position as a key advisor to push the interests of its oil and gas clients. It reportedly called out "vocally and brazenly" within the COP28 Presidency for lower levels of ambition on the phase-out of oil.<sup>48</sup>

The UAE state oil firm's Internet server was used to route the COP28 organising team's emails, including those of UNFCCC personnel. This allowed the oil firm's employees to view these messages.<sup>49</sup>

In addition to global events such as COP meetings, corporations with fossil fuel interests also target policymakers at the national level. Box 15 below analyses an example from India, where Vedanta Group, a conglomerate with significant coal, oil and gas interests, tried to use conditions caused by the COVID-19 pandemic as leverage to influence the

Indian government to drop restrictions on the fossil fuel industry.

### Box 15: Fossil fuel giant tries to weaken regulations and stop public debate

In January 2021, the Vedanta Group wrote to India's then environment minister, Prakash Javadekar, asking him to allow a 50 per cent increase in coal production, a policy change that would give Vedanta unprecedented profits. Vedanta recommended that its request, if accepted, be authorised through a simple notice, rather than the usual long permit procedure. Javadekar granted the request in early 2022, after a series of closed-door meetings. Vedanta had earlier tried to get the government to cancel public hearings over its new oil and gas exploration blocks. A second letter from Vedanta to Prime Minister Modi in June 2021 argued that if environmental safeguards were loosened, production of coal, oil and gas could be increased across the board.<sup>50</sup> In April 2022, the Environment Ministry released a memorandum eliminating public discussions when mining companies sought to increase production by less than 40 per cent, and stipulating that only written input, instead of public discussions, would be accepted in decisions over production increases from 40-50 per cent. This excludes from the debate the significant number of people without literacy skills or who find Indian bureaucracy challenging.

Investments in geoengineering technologies are a new and evolving way in which polluters protect their interests, try to influence policy debate and greenwash themselves. Geoengineering encompasses anything that could reduce emissions or capture and store carbon already in the atmosphere. Some geoengineering is well-established – for example, planting forests to sequester CO<sub>2</sub>. However, other geotechnologies are unproven and expensive, and have not been scaled up. They could significantly harm other industries, and would slow the energy transition. Coal, oil and gas companies' strategy is to persuade governments that technologies such as carbon capture and storage (CCS) are a viable way to reduce atmospheric GHGs, thereby allowing fossil fuel production and profits to continue with few restrictions, as shown in Box 16.



Photo: Marcin Jozwiak/Unsplash

### Box 16: Glencore pushes unproven technology to justify coal operations

Carbon Transport and Storage Corporation (CTSCo) is a subsidiary of Glencore, the Swiss-based multinational mining company that has paid billions of dollars in fines for its corrupt practices. CTSCo wants to inject liquefied CO<sub>2</sub> captured from a coal-fired power station into an Australian aquifer. CTSCo said the aquifer's water was unusable for other purposes and was therefore a good option for the experiment. Communities and farmers living above the aquifer pointed out they use it for drinking water and agriculture and that the experiment poses unacceptable risks to life and livelihoods. A hydrogeologist said he cannot identify any other carbon capture project in the world that involves the injection of liquefied CO<sub>2</sub> into a water resource aquifer. Critics argue it is a PR exercise for Glencore, which wants to find a way to justify its continued coal operations.<sup>51</sup>

Polluters have a global strategy to improve acceptance of geoengineering technologies, including joining institutes and associations that propagate the technology, influencing policymakers at climate forums such as COP meetings, and investing in carbon capture start-ups – which also functions as a greenwashing exercise. The world's five largest integrated private-sector oil and gas

companies by revenue – Shell, BP, Total Energies, ExxonMobil and Chevron – all joined the Global Carbon Capture and Storage Institute, three of whose six board directors worked previously for Shell or BP.<sup>52</sup> The institute's stated mission is to “accelerate the deployment of carbon capture and storage (CCS), a vital technology to tackle climate change and deliver climate neutrality.”<sup>53</sup> However, CCS is not a technology “vital” to slow climate change. While there has been proof-of-concept of multiple geotechnologies, CCS has not yet been proven to work at the scale or cost required to slow climate change.<sup>54</sup> Currently, the only proven method of slowing climate change is to reduce emissions.

Fossil fuel companies publicise their investments in carbon capture as a commitment to an energy transition, even while seeking ways to continue producing fossil fuels. In 2023, the large US oil firm Occidental Petroleum paid US\$1.1 billion for Carbon Engineering Ltd, a Canadian firm that pioneered direct air capture of CO<sub>2</sub>. Vicki Hollub, CEO of Occidental Petroleum, admitted that CCS technologies will allow the company to extend operations if policymakers can be persuaded that such technologies reduce GHGs and that regulations around fossil fuel production and use should therefore be weakened. Hollub stated that direct air-capture technology “will be the technology that helps to preserve our industry” and that will give it “a licence to continue to operate for the 60, 70, 80 years that I think it's going to be very much needed”.<sup>55</sup>



As pressure on fossil fuels increases, polluters' commercial partners are also seeking to greenwash their own images. Of particular note because of their influence on public perceptions and debates are lobbyists and PR firms that work closely with fossil fuel interests and which have also sought clients that are advocates for the energy transition or that have a green image. This association functions as a "PR win" for polluters, which are represented by a PR or lobbying firm with a green image. Box 17 describes a case showing how these strategies play out in Pittsburgh, a historic centre for fossil fuels in the United States.

### Box 17: Greenwashing by playing both sides

Pittsburgh has more lobbyists and PR firms that play both sides, representing both fossil fuel clients and environmental advocates, than anywhere else in the United States.<sup>56</sup> These PR firms and lobbyists rely on coal, oil and gas clients and represent Koch Industries Inc., whose owners are leading funders of climate denialism. But they are also hired by the city's arts, education and philanthropic organisations, such as the Carnegie Institute, the Frick Art and Historical Center, the Children's Museum of Pittsburgh, Pittsburgh Ballet Theatre and Pittsburgh Symphony Orchestra, as well as conservation groups and funders of environmental initiatives. As support for the energy transition has grown, these prestigious institutions have adopted green technology and divested from fossil fuels. They have also been pressured to end contracts with such lobbyists and PR firms. Engaging with respected "pro-climate" clients is a tactic that allows lobbyists and PR firms to boast about their green credentials, even while retaining fossil fuel clients. Although Pennsylvania law prohibits lobbying for and against the same legislation, conflicts of interest are not regulated and do not have to be declared, and lobbyists are allowed to self-regulate. In practice, this means that conflicts of interest can remain hidden.

Polluters also offer financial incentives to influence policymakers' decisions. Box 18 outlines a case where an energy company made illegal donations to the Republican Party in the United States, and bribed individual politicians, who subsequently sought to pass laws in the company's favour.

### Box 18: Oil and nuclear company uses campaign donations to secure protection

In the US state of Ohio, an oil and nuclear energy company made illegal campaign donations to the Republican Party and gave US\$61 million in bribes to the Ohio House Speaker (a Republican politician) and his co-conspirators (a second politician, a political advisor and a lobbyist). In exchange, the House Speaker and his allies led and advocated for the passage of a billion-dollar bail-out bill for two nuclear energy plants – legislation favourable to the oil and nuclear energy producer that owned the plants.<sup>57</sup>

Third parties are also used by polluters to promote the fossil-fuel agenda. These relationships are based on money. Polluters give funding to the third parties, which provide research, analysis and commentary that ostensibly appears neutral and independent, but which follows a pattern of advocating for fossil fuel interests. The third parties frequently do not declare sources of funding or any conflicts of interest. Universities, including individual academics and centres that undertake research on energy-related topics, have been a key target for the fossil fuel industry, which funds individuals and provides research grants, as well as planting representatives on boards – typically as a condition of their funding. For example, fossil fuel producers have directed funds to or provided members for boards related to Harvard University's Environmental and Energy Law Programme, the Harvard Kennedy School and Harvard's primary governing board, the Harvard Corporation.<sup>58</sup>

The pervading feature of cases where polluters use third parties as proxies for their interests is a lack of transparency. The origin of funds is frequently disguised by not being declared, or not fully explained, in information about donors on websites or in literature. Donors themselves do not publicly disclose who and what organisations they fund, and individuals do not declare their sponsors as part of their public discourse.

The following recommendations are designed to improve transparency around lobbying and attempted undue influence, as well as regulation of lobbying activities:

**Recommendation 16:** Introduce policy and regulations that give access to information linked to climate-related decision-making, including

allocations of funds, tendering decisions, recruitment and policy development.

**Recommendation 17:** Introduce policy and procedures to explicitly manage lobbying activities, including:

- + Mandatory reporting of lobbying
- + Staff training around lobbying, and stipulations for managing it.

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