

Turning on the taps in Brussels

Veolia Environnement's lobbying activities on water at an EU level

Corporate Europe Observatory
December 2008



Contents

Introduction	3
Context	4
History	5
1. Veolia Environnement's lobbying activities	8
1.1 EU water policies, the private vs. public debate and Veolia	9
1.2 "The environment is an industrial challenge" - Veolia and EU environmental policies	10
1.3 EU water aid policies: do what I say, not what I do ?	13
2. Veolia Environnement's indirect representation	15
2.1 EUREAU, a central axis	15
2.2 Aquafed, the voice of "the" private water sector?	16
2.3 The Water Supply and Sanitation Technology Platform – corporate research in action	17
2.4 The European Water Partnership – a too consensual consensus?	18
2.5 Other water lobbies	19
2.6 French business lobbies	21
2.7 Brussels business lobbies and "for-hire" lobbyists	21
2.8 Think-tanks	22
Conclusion	23
Note	24
Endnotes	25
Boxes	
Facts & Figures	7
Veolia Environnement Europe Services: lobbying and fiscal relief in Brussels	8
Adaptation to climate change: prevention or cure?	11
A corporation at sea: desalination	12
Veolia Environnement and the French state, a public private affair	24
Map	
Veolia Environnement EU lobbying in the water sector	14

Introduction

Water, this basic requirement for all known life, has become a highly political issue globally. Millions of people lack access to drinking water and sanitation, while increasing pressure on water resources is causing economic and political tensions throughout the world. As water attracts more attention from those outside the water sector, water utilities have had to adapt to new sustainability demands.

The French company Veolia Environnement, the world's largest water company, which manages drinking water, industrial water supplies and waste water services worldwide brands itself as a world leader in "environmental services". According to Veolia's chief executive Henri Proglio: *"Sustainable development is a major opportunity for our economy. We must reach agreement between industry, the state and citizens"*¹.

A stable political environment is indeed crucial for Veolia as far as the delivery of water services is concerned. Running water is a natural monopoly, which allows water utilities to pass their costs on to consumers. Perhaps this is why, given the vital nature of water, 90% of the world's water utilities are run by public utilities.

The European Union is a powerful source of water regulation, with the main policies set by EU Water Framework Directive (2000/60/EC). Drinking water supply issues are however governed by the subsidiarity

principle^a, and the EU water sector remains heterogeneous, according to the local situation.

However, Veolia, thanks in part to its 150 year-old history of close cooperation with French public authorities, now manages thousands of different local services in Europe, with a strong presence in its home country France and in the UK, increasing activity in Germany, Czech Republic, Slovakia and Romania, and a rather limited existence in Portugal, Italy, Hungary, Poland and Sweden. Although Veolia does not manage municipal water supplies in the other 16 members of the EU, this position gives the company considerable power compared to other European water utilities, especially those which are publicly owned.

Veolia runs an office in the EU quarter in Brussels, is part of several professional associations, belongs to various powerful corporate lobby groups, and participates in workshops and conferences, working with the European institutions. This investment in EU water policies must be significant, but to what extent? Such issues are hard to judge, particularly given the limited insights offered by the company. How does Veolia set about influencing water policies at EU level? And what are the consequences of their activities? This is the purpose of this report.

^a Subsidiarity is the principle whereby the Union does not take action (except in the areas which fall within its exclusive competence) unless it is more effective than action taken at national, regional or local level. It is closely bound up with the principles of proportionality and necessity, which require that any action by the Union should not go beyond what is necessary to achieve the objectives of the [EU] Treaty.

Context

The main challenges facing the European water sector are dealing with the heavy pollution resulting from intensive agriculture, industrial pollutants and other chemicals, such as endocrine disruptive substances², the over-exploitation of resources (particularly groundwater) and the ageing supply infrastructure.

Demand for water is in fact slowly decreasing in many parts of Europe, as a result of partial deindustrialisation and water efficiency gains. This trend moves the industry's focus away from increasing supply to a much more sustainable demand management approach. But it creates a financial problem. Private water providers have previously relied on increasing water sales to generate income and this is no longer an option; the private water sector therefore needs a new business model, and for the key players in the industry this is a crucial debate.

Veolia's proposed solutions, put forward in a scenarios document³, appear to be an increased reliance on technology to increase supply and maintain sales growth, funded by the tax-payer or the state if clients cannot be persuaded to pay, or an extension of its commercial activities to co-managing the whole water cycle. Such

measures might preserve the company's growth margins, but the much-advertised "environmental services" are seen as a means, not an end. Of course Veolia's shareholders judge the company on its revenues more than its ability to replenish ecosystems, but this casts doubts on its "environmental" commitments. Can environmental problems be solved by the very industrial rationale that caused them?

An alternative approach to the problem can be seen in the example of Munich which in 1991 launched a programme to support organic agriculture around water catchment areas to try to reduce the increasing level of nitrate and pesticide pollution in the water. Sixteen years later, the conclusion is clear: nitrate levels fell by 43%, pesticides by 54%... The subsidies to promote organic agriculture were far cheaper for Munich than paying the costs of clean-up⁴. In contrast, Veolia appears to favour high cost technologies such as aquifer recharge, nanostructures, wastewater re-use, desalination... which are potentially profitable on an industrial scale, but can be environmentally-damaging, consume a lot of energy and fail to address the issue of unsustainable water management.

History

Veolia's history began in 1853 under the name Compagnie Générale des Eaux (CGE). Created by a group of businessmen and high-ranking officials from Napoléon III's imperial court, the company was granted a number of privileges: a fixed price for water and a guaranteed monopoly in exchange for developing water services⁵. The company's first contract was in Lyon, France, in 1854, but it soon expanded into other French and European cities, working closely with the public authorities to develop the "public services management delegation" model (now known as public private partnership). Like France's other water utilities, CGE was notoriously used as a source of funding by all political parties, which may be why they escaped the great nationalisation waves of 1946 and 1981.

The company's evolution was initially gradual, moving into waste treatment in 1953 and then, following the appointment of Guy Dejouany as chief executive in 1976, expanding more rapidly, moving into new sectors including energy, media, transport services, construction and property. In 1998, following links to several cases of corruption, CGE changed its name to Vivendi.

The re-named group went on a growth frenzy, acquiring shares or merging with several groups in the media and entertainment sector, reaching its peak in 2000 when it merged with Universal Studios. But the 2001 crash put an

end to the rapid expansion. Vivendi Universal lost €23.5 billions in 2002, the worst corporate loss for any French company in history; Jean-Marie Messier, the chief executive, was forced to resign and was subsequently charged with fraud and fined by the US Securities and Exchange Commission^b. Having lost much of its accumulated wealth, Vivendi Universal sold its shares in Vivendi Environnement, making it effectively an independent company. It changed its name to Veolia Environnement (VE) in April 2003.

Veolia Environnement

The company, now led by chief executive Henri Proglio (who has spent his entire career within the company), adopted a more modest profile, restructuring and reducing its long-term financial debt and prioritising internal growth. It returned to profit in 2004, and resumed acquisitions: in 2006, it bought waste management operator Cleanaway, it made an unsuccessful takeover bid for the French construction company Vinci, and has considered taking over its main competitor, Suez Environnement⁶. The company's new strategy, it says, is focused on sustainable development, long-term vision and a corporate sense of responsibility. The environment is claimed as the company's main axis of development.

^b The U.S. Securities and Exchange Commission (commonly known as the SEC) is a United States government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry/stock market

With more than 4400 contracts worldwide, Veolia Water is the global leader among private water companies and has developed quickly outside Europe, mostly in China and the Persian Gulf. But it has twice failed to meet analysts' profits forecasts, its stock exchange value plummeted this year, losing more than 70% of its value in one year⁷ (almost twice as much as the European utility sector)⁸. It has also faced other problems, with its headquarters recently searched by French investigators following bribery accusations by a former VE executive⁹. But its summer 2008 results are in line with company expectations, and Veolia promises a 10% dividend increase for shareholders.¹⁰

FACTS

Business

"The industry of environment"

"The environment is an industrial challenge"

Veolia sells services in water management (world leader), waste management (former Onyx), energy management (Dalkia, European leader) and passenger transportation (former Connex).

Names

Veolia Environnement, Sense SAS, Veolia Water, Veolia Environnement Europe Services, Veolia Water Solutions & Technologies, Veolia Transport, Veolia Environmental Services, Veolia Energy, Dalkia, Voda, Connex, Onyx, SNCM, Cleanaway, VES, Three Valleys Water, Folkestone & Dover Water Services, Tendring Hundred Water Services, Collex, Renosol, OTV, OPALIUM, Braunschweig Versorgungs AG GmbH, Grandjouan, Aquiris SA, Compagnie des Eaux et de l'Ozone, Compagnie des Eaux de Paris, Société française de distribution d'Eau, Compagnie Fermière de Services Publics...

People

Henri Proglio (Chief Executive), Antoine Frérot (Executive Vice President, CEO Veolia Water), Joachim Bitterlich (Executive Vice-President for International Affairs)

EU Affairs :

Jean-Claude Banon (Group Executive Representative to the EU Institutions), Cédric de Meeûs (Deputy Representative to the EU Institutions), Stéphane Buffeteau (Director for the relationships with European institutions), David Berman (Assistant to the Group Executive Representative), Rainier d'Haussonville (Veolia Water European Affairs Director).

FIGURES (2007)

Turnover: €32.62 billions (+14%, 34% water, 28% waste management, 21% energy, 17% transportation), 80% in Europe, 44% in France

Net income: €927.9 millions (+22.3%)

Net financial debt: €15.1 billions (+3.4%)

Long-term operating financial assets (2006): €5,1 billions

Total market capitalisation (19/11/2008) : € 9,169.570 billions (-68.94%)

Employees: 319.502

Clients: 67% public authorities, 33% industrial companies

Capital structure

Capital Research & Management Company (American mutual fund) **12%**, Caisse des Dépôts (French state-controlled fund) **10%**, individual shareholders **7%**, Natixis Asset Management (French corporate bank) **7%**, Groupama (French insurance company) **6%**, EDF (French public electricity company), VE treasury stock **4%**, employee shareholders **1%**, other institutional shareholders **49%**.

R&D

800 researchers and experts, €118 million budget. Particular focus: fuel cells, biofuels, aquifers recharge, membrane technologies (wastewater treatment and desalination)...

1. Veolia Environnement's lobbying activities

Veolia reports on its EU “Responsible Lobbying” activities in its sustainable development reports. In 2006 it briefly described its EU lobbying activities¹¹, as well as four specific issues where it had input into EU legislation, but no details were provided in 2007, just the company's general lobbying¹², and its involvement in Aquafed (see 4). Interviewing Veolia representatives in Brussels did not reveal much more.

The company's European affairs office is located at 26 Rue des deux Églises, a few hundred meters from the European institutions. It is run by Jean-Claude Banon, the group's representative in Brussels, who has worked for the company for 25 years. He previously directed Veolia's

USA and UK divisions, and was involved in lobby groups in the UK. He is assisted by Cédric de Meeûs, his deputy, who used to work for a Brussels lobbying consultancy, and David Berman, an intern paid by French state.

Veolia's director of relations with European Institutions is Stéphane Buffetaut, a former MEP who still sits in the European Economic and Social Committee, but who is based in Paris. Joachim Bitterlich, a former German Ambassador and Foreign and Security Policy Advisor to Federal Chancellor Helmut Kohl, is Veolia's Vice President for International Affairs. He has a high profile in Europe – his pro-European commitment gives him a lot of credit in EU circles.

Veolia Environnement Europe Services: lobbying and fiscal relief in Brussels

The Veolia EU office in Brussels has a representational role: keeping up with EU legislative work and reporting to headquarters, analysing EU legislation impacts on the group's activities and liaising with internal specialists, networking with MEPs, European Commission (EC) officials and other industrial partners, identifying and where possible exploiting opportunities for new activities.

In early 2008, the office was incorporated into a new company, Veolia Environnement Europe Services, developing its remit to “finance or facilitate the short, medium or long-term financing of the group it belongs to, or companies this group wants to finance”¹³. On the 31 January 2008, the capital of this new company was increased from €100,000 to almost €2.5 billions (€2,440,100,000)¹⁴, transferred in cash. Belgium recently introduced new fiscal measures on companies' capital, known as the notional interests' deduction, allowing companies to substantially alleviate their taxable base according to their equity capital.

1.1 EU water policies, the private vs. public debate and Veolia

In the water delivery sector, there are at least three main water management models: complete privatisation as in the (sole) case of the UK, direct public management (the dominant model in most European countries), and public private partnership (PPP), which has been the dominant model in France for the last 150 years. Because of this diversity and the controversies around handing over water services to the private sector, previous attempts by the European Commission to define water delivery as a service like any other, ruled by EU Competition law and a tendering of contracts on the EU-wide market, have met opposition. The European Commission has therefore approached the topic with care - at least within the EU.

Against this backdrop, Veolia tries to influence the Commission's approach by calling for "*more effective structuring of management operators*" and for "*serious thought to management methods and efficiency*".¹⁵ In 2004 and 2005, Veolia representatives, helped by private consultants from the public affairs firm Cabinet Stewart, met DG Competition officials to complain about "*discrimination between public and private water operators*"¹⁶. They asked for more monitoring of local public utilities and greater transparency, performance benchmarking for public and private undertakings, longer contracts as a means of "*improving efficiency in the repair, maintenance and investment of the infrastructure*"¹⁷. Their attempt to open up this debate

ended after the director general of DG Competition sent a polite but firm response thanking VE for its input and stating that "*we are both well aware of each other's positions on the different issues at stake*"¹⁸. Veolia, working with Cabinet Stewart, has also tried to push the PPP model in its liaisons with the European consumers' organisation, BEUC, calling for more competition in the water sector.

Veolia Environnement views public water operators as its main competitors, and has regularly attacked them, as shown in recent correspondence¹⁹ between DG Internal Market and the company. Drawing on latest European Court of Justice case law on public procurement, the company asked the Commission to extend the requirements for competitive tenders to public-public partnerships^c, potentially preventing any public authority from entrusting an economic activity to another without having to lead a competitive call to tender. This, Veolia says, would protect it from the fact that "*public persons are potentially, by uncontrolled services exchanges, able to drain the competitive market if they wish to*"²⁰. In other

^c "Public-Public Partnerships (PUPs) are new partnerships developed between public water operators, communities, trade unions and other key groups, without profit motive and on a basis of equality. In addition, PUPs are also being created when well-performing public utilities are matched or 'twinning' with those that are not-so-well performing to share expertise on a not-for-profit basis in order to improve the standard of the lesser performing utility." In CORRAL Violetta, "Public-Public Partnerships In The Water Sector", Water Justice, 8 May 2008.

words, Veolia is asking for protection against the current spread of non-commercial and not-for-profit approaches in the European water sector. But the Commission's recent "Interpretative Communication on the application of Community law on Public Procurement and Concessions to Institutionalised Public-Private Partnerships (IPPP)"²¹ did not cover these elements.

1.2 "The environment is an industrial challenge" - Veolia and EU environmental policies

The Directorate General for the Environment (DG ENV) is a crucial point of contact for Veolia in Brussels. EU environmental policy determines environmental policy across the member states, and is therefore key to the self-proclaimed "industry of environment".

There has been little legislation on water issues in recent years, with the Water Framework Directive (WFD) still being implemented at member state level. Nevertheless, important issues are discussed between the DG ENV and stakeholders such as the follow-up on WFD implementation within the Common Implementation Strategy (CIS), the revision of existing legislation like the Drinking Water Directive (DWD), discussions on the European Acceptance Scheme (EAS), Water Scarcity and Drought (WSD) and water re-use.

On many issues, particularly the technical aspects of directives, Veolia does not work directly with DG ENV but delegates this responsibility to specialised lobby groups,

in particular EUREAU (see 2.1). The water multinational does submit its own position directly to DG ENV on certain issues – and the boundary between the two can be blurred given that many Veolia employees act for lobby groups as well as in their own right. Direct interventions can include submitting position papers and letters, as well as more informal opportunities at meetings, lunches and events.

Adaptation to climate change: prevention or cure?

DG ENV's consultation on Adaptation to Climate Change, at the end of 2007, was an opportunity for Veolia to present its vision²² of the challenge with a seven-page document covering all group businesses including water management.

The submission first included an impact assessment, listing some of the measures the industry expects to have to implement in order to adapt to climate change, all using technology to try and better manage the water cycle in the face of more extreme weather events.

A section on policy challenges highlights the importance of the EU's role in coordinating the integration of climate change considerations into policies, and argues for partnerships between public and private sectors: private operators can *"play an important role in advising municipalities/regions on investment decision/requirements and infrastructure development"*, Veolia says. Managing climate change can be profitable: *"it is fundamental to put in place a cost recovery framework enabling the internalisation of external costs (such as those linked to climate change)"*. In other words, Veolia wants to be able to pass on extra costs to its clients.

Veolia's recommendations on water management call for balance between the EU's currently favoured approach of water demand management measures and the possibility of additional supply development. The company explains that consumer responses to demand management measures are *"very complex"* and that situations of water abundance and good quality should provide financial benefits. Veolia asks: *"is it reasonable that consumers should be compelled to higher water charges through mandatory imposition of demand management measures if the economic impact of additional water resource development is lower?"* If technology is cheaper than ecology, why not use it? Especially when reduced consumption affects Veolia's profitability.

The water giant also encourages the EU to invest in research and development for: *"demand management techniques"*, *"groundwater recharge technologies"*, *"wastewater reuse (especially for irrigation purposes)"*, *"desalination technologies"*, *"early warning systems for floods and droughts"*.

Veolia's proposals for adapting to climate change are plainly profit-orientated, and, for a company focused on the challenge of the environment, seem surprisingly energy-intensive rather than concerned with reducing resource use.

A corporation at sea: desalination

Veolia is developing seawater desalination to increase water supplies, which it describes as: *“the main means to produce drinking water and a way of overcoming the shortage of available freshwater sources”*.

Desalination is not straightforward, as Veolia’s 2006 sustainability report acknowledges: *“the main problems encountered in desalination are membrane clogging (for processes based on reverse osmosis), high energy consumption, and the environmental impacts, in particular those caused by the discharge of brine into the natural environment.”*

Veolia believes it can overcome these problems by using technology, including “pre-treatment” to reduce clogging and energy use. This, it says, crucially, will cut costs.

Isn’t there something missing? The report acknowledges the environmental impacts but does not offer any solution. Similarly, neither the “desalination” section of Veolia’s 2007 Research & Development report, nor the company’s short video-clip presenting desalination, mention the impact of modifying local seawater salinity on sea life - which can be catastrophic. In fact there is just one reference in 2007 to the *“management of the saline concentrate to give better control over the environmental impact”*²³.

Of course, limiting membrane clogging and reducing energy consumption is profitable for Veolia; but safely disposing of the brine costs.

1.3 EU water aid policies: do what I say, not what I do ?

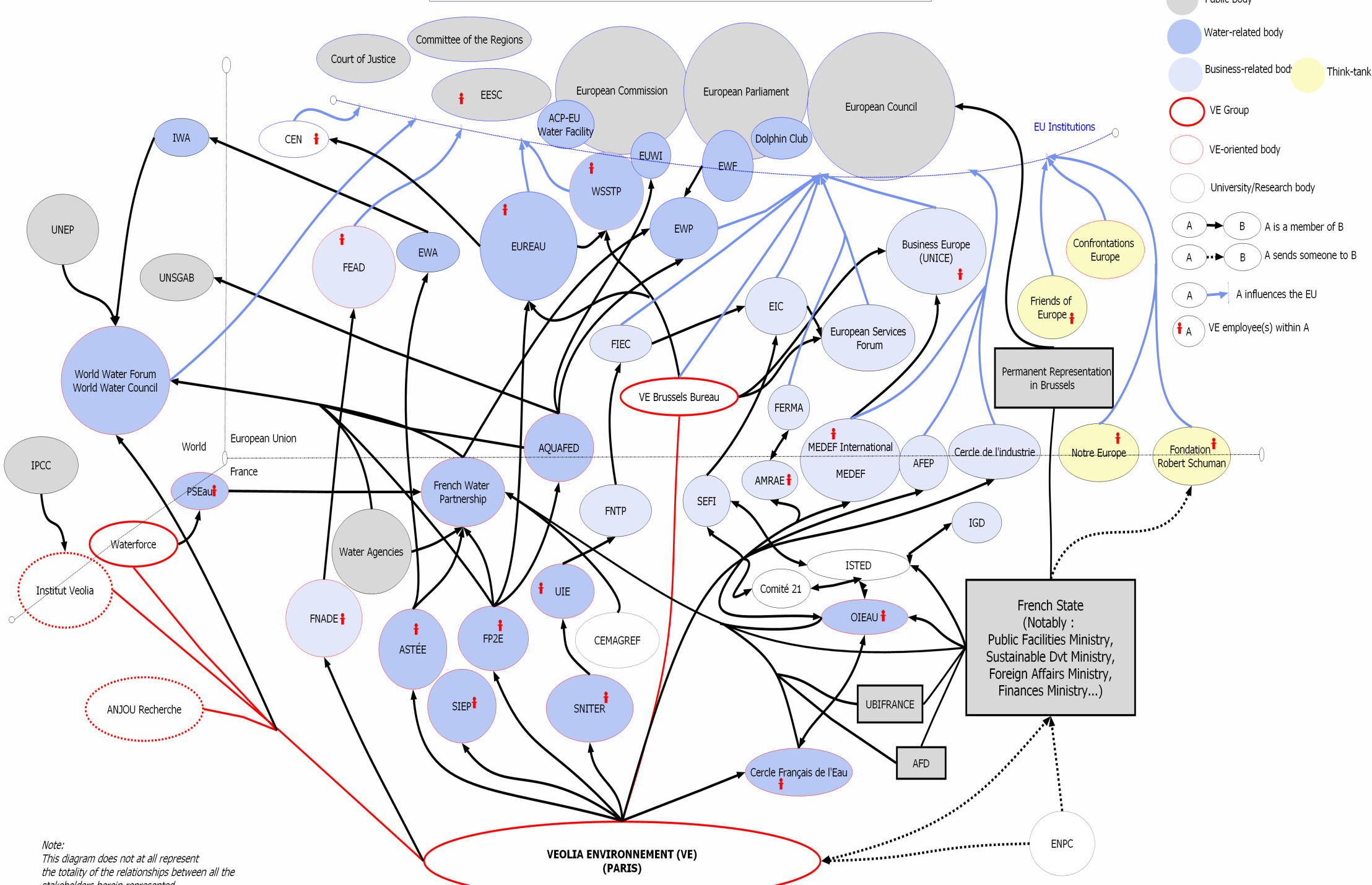
Although the supply of drinking water is ruled by the subsidiarity principle within Europe's boundaries, the EU's policies on development and aid subsidies do impact on water management abroad. Until 2006, the EU was the main proponent of including the water sector under the rules of World Trade Organisation, putting developing countries under pressure in GATS negotiations²⁴. In the new wave of bilateral trade talks that has been launched in the last few years, the EU is again pushing for market opening to benefit EU-based water multinationals. It also has a tendency to tie development funding to conditions requiring private sector involvement; for instance, the Commission finances the Public Private Infrastructure Advisory Facility (PPIAF), a World Bank subsidiary specialised in implementing private "participation" in development programmes²⁵.

Involving private water firms is also key for the EU Water Initiative (EUWI) and the EU-ACP Water Facility, two well-funded EU initiatives in developing countries. Veolia

is active in EUWI through two lobby groups, EUREAU and Aquafed (see 2.1 and 2.2) which both sit on the EUWI board. The scheme is privately described a failure by all stakeholders questioned on the issue, and DG Development has indicated a willingness to consider broadening its funding to public-public partnerships to improve results.

According to DG DEV and EuropeAid officials, there has been no correspondence or meetings between themselves and Veolia representatives since 2005, although the group unsuccessfully tried to apply for Water Facility funding. Veolia may well have met representatives from the institutions informally at events like the Friends of Europe's seminar on water security²⁶ or the Panafrican Public-Private Partnerships Conference²⁷; but given that DG Development is already a keen supporter of PPP, the need for lobbying was probably minimal.

Veolia Environnement EU lobbying in the water sector



*Note:
This diagram does not at all represent
the totality of the relationships between all the
stakeholders herein represented.*

2. Veolia Environnement's indirect representation

Efficient lobbying is difficult without building alliances. Professional/sectoral associations, industrial federations, interests groups and the like can increase pressure on public authorities. Although they may not be as efficient as the companies themselves or consultants (their decision-making usually requires consensus), they are considered more legitimate and convenient by time-

pressured EU officials. Several Veolia employees consequently sit on various lobby groups in Brussels, and put forward their company's interests from their position. Their input is usually appreciated as corporations have the means to provide significant expertise and time, which is not necessarily the case for smaller stakeholders.

2.1 EUREAU, a central axis

EUREAU, the "European union of national associations of water suppliers and waste water services" is a long-standing big player in the EU. "*The voice of Europe's drinking water and wastewater service operators*"²⁸ was founded in 1975 and has members from 25 of the 27 EU member states, as well as three European Free Trade Agreement member countries and one accession country, representing some 405 millions consumers. The majority of its members are public operators. EUREAU has just three full-time employees and one trainee, but a budget of 488.000€ (2007)²⁹ and access to a wide range of experts via its membership. Decision-making is based on consensus.

EUREAU's input is valued by the EU institutions, especially the Commission, as shown by the regularity

with which it is consulted and its level of involvement in EU water events. With its broad membership, it is a privileged player within the EU water sector, and it agreed to disclose its activities when asked.

Veolia Environnement formally belongs to EUREAU through FP2E, the French National Association of Private Water Operators³⁰. Five Veolia employees sit on EUREAU's board and standing commissions³¹, and another works on behalf of EUREAU on water re-use issues. The four lobbying cases declared by Veolia in 2006³² related to water were through EUREAU. The lobby group nevertheless lobbied on a number of issues not mentioned in Veolia's report, including incorporating amendments into parliamentary draft reports, amending

other reports, and securing representation on key bodies and working groups.

Because of Eureau's broad representation, it does not always represent the interests of VE, including on the issue of public private partnerships: *"Eureau thinks that the freedom of member states to choose the institutional*

*set-up they consider to be most appropriate under the principle of subsidiarity is important, and should be maintained. Very often the institutional set-up allows local and regional authorities a freedom of choice in the way that water services are provided, notably in deciding to run the service by itself or to outsource the service, fully or partially, to a third party."*³³

2.2 Aquafed, the voice of "the" private water sector?

Established in October 2005 by Suez and Veolia, "The International Federation of Private Water Operators" (the Federation/Aquafed) is located in the heart of EU quarter in Brussels. *"The voice of the private water industry"* claims to represent *"over 200 water service providers operating in 38 countries worldwide"*. It employs seven people³⁴ in Paris (where it has its headquarters) and Brussels, and is chaired by Gérard Payen, former chief executive and chairman of Suez Environment.

The Federation's official remit is to *"promote at international level the participation of the private sector to collective management of water and sanitation"*³⁵. It publishes position papers, data supporting its vision and is involved in consultations with international organisations including the UN and World Bank. As a representative of private water companies, Aquafed can promote Veolia's water privatisation agenda in a way that Eureau cannot, and Veolia's representative in Brussels,

Jean Claude Banon says it has a role in countering the *"disinformation"* spread by public water activists³⁶.

Aquafed's Brussels' representative says that the federation has a non-profit remit and has established links with NGOs including the Water Integrity Network (chaired by Transparency International and dedicated to fighting corruption in the water sector). But its membership is dominated by companies owned by Veolia or Suez: just one out of the 15 corporate members is not owned by them³⁷, and, among the five national associations from Uganda, Chile, the United States, France and Brazil, most are again either linked to Veolia or Suez. Broadening its membership to increase its legitimacy is seen as one of Aquafed's key objectives.

Does the Federation lobby the EU? It seems obvious given that it rents an office in Rond-Point Schuman and has registered with the European Parliament's lobbying register, that Aquafed sees that as its role, but it is

impossible to find any reference to EU lobbying activities on its website. Aquafed is obviously a lobbying vehicle for Veolia, but because it has not as yet published its budget, the scale of the operation is unclear. According to Aquafed's representative, the Federation, at EU level, is involved in the EU Water Initiative Steering Committee, has engaged with a few Commission officials and MEPs in the context of public meetings, belongs to the

European Water Partnership (see 2.4) and the European Water Forum, but has had difficulties defining its European priorities as it is an international federation. Aquafed is also very active in the European regional process for the Global Water Operator Partnerships Alliance (GWOPA), an attempt to co-opt a UN initiative intended to strengthen public sector water supply through not-for-profit partnerships.

2.3 The Water Supply and Sanitation Technology Platform – corporate research in action

Veolia Environnement is actively involved in EU water research, and has taken part in various research programmes partially funded by the EU within the Framework Programmes^d. It is also a key player in the Water Supply and Sanitation Technology Platform (WSSTP), a body set up by the European Commission (EC) as part of its Environmental Technologies Action Plan (ETAP).

Technology Platforms are EU-facilitated bodies which bring together industry representatives to develop plans for sectoral research at an EU level. This allows the industry to look beyond its usual national boundaries, and to substantially influence the direction of the upcoming Framework Programme 7 (FP7) tenders that it will apply for afterwards (among other funding sources). According

to Andrea Tilche, Head of Unit “Environmental Technologies and Pollution Prevention” at DG Research, the total funding allocated to the WSSTP by the EC for its launch amounted to €600-800.000; today, Suez and Veolia together contribute to at least 60% of WSSTP's current funding³⁸, with an annual budget of about €80-100.000³⁹. Three Veolia employees sit on the WSSTP board (on a total of 10), including the WSSTP vice president Xavier Chazelle, Veolia's deputy research director.

Initially, the platform was set up to promote European competitiveness, sustainable development and the achievement of the Millennium Development Goals (MDGs)⁴⁰. According to WSSTP president Diane d'Arras, this last objective has now been more or less dropped⁴¹. The WSSTP now essentially focuses on “*strengthening the competitiveness and the potential for technological innovation of the European Water Industry.*”⁴²

^d 'Framework programmes' (FPs) have been the main financial tools through which the European Union supports research and development activities covering almost all scientific disciplines. FPs are proposed by the European Commission and adopted by Council and the European Parliament following a co-decision procedure. FPs have been implemented since 1984 and cover a period of five years.

At the WSSTP's Second Stakeholder Meeting in Brussels (June 2008), the main focus was on the development of new monitoring and mitigation technologies, including the potential for using wastewater sludge as an energy resource. There was little emphasis on what might be considered to be more sustainable approaches such as the potential for resource conservation, such as natural

wetlands preservation to counter floods, organic soil management to counter droughts, reduce irrigation and pollution from pesticides; or land-use planning to counter run-off. As a Veolia researcher pointed out, such projects are the responsibility of the State, not water companies. The "market" for clean-up industries is pollution, and no industry wants to see its market shrink...

2.4 The European Water Partnership – a too consensual consensus?

The European Water Partnership (EWP) was created in 2006, and aims to represent a broad membership and act as a legitimate stakeholder in the water debate. It has some 50 members, including public and private utilities, international organisations, companies, research bodies, NGOs and associations including Aquafed⁴³.

It is chaired by Tom Vereijken, who also sits in the board of WSSTP and chairs the European Committee of Environmental Technology Suppliers Associations (EUCETSA).⁴⁴ The vice-chair is Friedrich Barth, a former DG Environment official; and the executive director is Lionel Platteuw, an EU affairs consultant who used to represent industry associations, including EUCETSA⁴⁵. Despite the proclaimed multi-stakeholder approach, the list of EWP's 16 founders⁴⁶ reveals a narrower identity, and some describe the EWP as a lobbying vehicle for Dutch companies involved in water technology and infrastructure business. It also brings together several "national" water partnerships from the Netherlands,

Denmark, Germany and France, all of which have been set up by these states to represent their water industry's interests abroad. The EWP refused to make its budget details available and has not as yet published its accounts⁴⁷.

The EWP has been actively lobbying the European Parliament, setting up an informal inter-parliamentary group on water issues (the "Dolphin Club"); it is also responsible for coordinating several European stakeholders' contribution to the 5th World Water Forum in Istanbul in 2009, an event which is organised and driven by the private water sector⁴⁸. Moreover, although Veolia is not a direct member, it sponsors one of the EWP events on Europe's water, bringing together high-profile speakers including Environment Commissioner Dimas, DG Environment Water Director Peter Gammeltoft and MEP Richard Seeber alongside Veolia Water CEO Antoine Frérot⁴⁹.

2.5 Other water lobbies

There are other lobbies directly or indirectly representing Veolia that can also influence EU water policies, although they do not seem as active or influential at European level.

The European Water Association (EWA). Veolia is a member through ASTEE, an association of French water professionals. Created in 1981 as the European Water Pollution Control Association, the EWA gathers *“about 25 European national associations each representing professionals and technicians for wastewater and water utilities, academics, consultants and contractors as well as a growing number of corporate member firms and enterprises.”*⁵⁰ EWA is a member of the **International**

Water Association (IWA), a global and influential water body that is very active at European level and whose Strategic Council is chaired by Gérard Payen, Aquafed director and former Suez Environment chief executive.

The French Water Partnership (FWP, Partenariat Français pour l'Eau) lobbies on behalf of the French water sector. A broad platform bringing together dozens of water operators and stakeholders⁵¹, it was created by the French state to promote its water sector abroad. Based in Paris, its Executive Secretary hosted at ASTEE, it is not EU specific but plays an important international role.

Veolia Environnement and the French state, a public private affair

The boundaries between the French state and VE can appear a little blurred. Many Veolia executives have historically come from the École Nationale des Ponts et Chaussées, an elite institution that has trained generations of high-ranking officials in France. The French state is a major shareholder in Veolia (through CDC and EDF⁵²), and there are several examples where employees have passed through the revolving doors between the state and the private sector. Stéphane Richard, Veolia Transport's former CEO, was appointed cabinet director for the current French Finance Minister in 2007; Dominique de Villepin, France's former Prime Minister, has recently been recruited by Veolia as an "international consultant"⁵³; Sylvain de Forges, appointed Veolia's Director of Financial Operations in 2003, used to be the first General Director of Agence France Trésor within the Finances Ministry⁵⁴; Rainier d'Haussonville, current Veolia Water European Affairs Director, was deputy to the head of the financial section within the Secrétariat général des affaires européennes (2004) and was appointed to the cabinet of the French Prime minister, responsible for European economic affairs (2005-2007). Henri Proglio, Veolia's chief executive, a long-standing Chirac ally, is now close to the Sarkozy government thanks to the current Minister of Justice, Rachida Dati⁵⁵.

Beyond personal connections, institutions like the French Water Partnership, ISTED or OIEau are powerful tools set up by the "French Water School" to promote itself abroad, bringing together public and private players.

2.6 French business lobbies

In France, VE belongs to several business lobbies which have offices in Brussels or which belong to European-wide business lobbies. These include MEDEF, the biggest French employers union; AMRAE: the French Association for Risk Management which is a member of the Federation of European Risk Management Associations; AFEP, possibly one of the most powerful

French business lobbies bringing together most of the companies listed in the CAC40 (the 40 biggest companies on the Paris Stock Exchange)⁵⁶; the Cercle de l'Industrie, which brings companies and politicians together, and the Cercle des Délégués Permanents Français, co-founded by the MEDEF, and specifically dedicated to promoting French interests in Brussels.

2.7 Brussels business lobbies and “for-hire” lobbyists

There are thousands of lobbyists in Brussels, and finding out who works for who is complex. Veolia employs lobbyists for some of its work, and also operates through broader business lobby groups.

- **ESF**: The European Services Forum is a big business lobby in Brussels and has been heavily involved in the WTO's services negotiations (GATS), calling for the inclusion of water under GATS. Veolia is a company member of this lobby.

- **BusinessEurope**: (formerly UNICE) this is one of the most well-known Brussels' business lobbies and Jean-Claude Banon, Veolia Brussels representative, chairs the lobby's Task Force on Services of General Interest, and belongs to BusinessEurope's Advisory Group. This has

allowed him to deliver a presentation on PPP issues on BusinessEurope's behalf for an assembly of regional policy experts and practitioners, Veolia's main clients, in 2007, at BusinessEurope's workshop during the “European Week of Region and Cities”. This year's edition of the event has seen Veolia's chief executive Proglia taking part in a discussion on PPP with Jean-Pierre Jouyet, the current French government's secretary of state for European affairs, Luc Van den Brande, President of the Committee of the Regions and Alain Juppé, the former French Prime Minister⁵⁷.

Veolia has hired a number of lobby consultancy firms, including **Athenora Consulting**, which organised a lunch for Veolia with the marine environment unit at DG

Environment, and **Cabinet Stewart** who organised a meeting with high-ranking officials from DG Competition in 2005. However, this might just be tip of the iceberg, as the absence of transparency around lobbying in Brussels makes it impossible to assess what work has been done by lobby consultancy firms for Veolia – and what the cost has been.

2.8 Think tanks

Think-tanks play an important role in policy-making. Gathering experts, academics, businessmen and politicians, they usually present themselves as neutral debate and research platforms, but may take an ideological or client-focused stance. Veolia is a paying member of various think-tanks, including Confrontations Europe, Fondation Robert Schuman, Friends of Europe and Notre Europe, as well as has created its own, the Institut Veolia Environnement.

The **Institut Veolia Environnement** aims to produce peer-reviewed scientific data on society and the environment, bringing together big names from the scientific community, including Nobel Prize winner Amartya Sen. The Institut aims to boost Veolia's brand, and also publishes helpful papers such as the "Social and economic benefits of delegated management"⁵⁸.

Conclusion

Veolia Environnement has set up an impressive network that allows it to channel its interests into EU decision-making, either directly or indirectly. Contrary to its claims, the company is not a reliable source of information on its lobbying undertakings in the water sector: Veolia's representatives to the EU institutions refused to provide much specific data on this matter, and the information the company discloses in its sustainable development reports – under the title “Responsible Lobbying” – is largely incomplete.

The omission is particularly impressive compared to the data this report uncovers: through extensive research, access to documents requests from the European institutions and interviews with several well-informed stakeholders, 7 water-specific lobbies, 11 business lobbies, 5 think tanks and various private and public bodies were found to be relaying Veolia interests in one way or another towards the EU institutions. What is more: privileged access to political power via numerous revolving door cases and the employment of former politicians; influence on parliamentary reports; appointment of Veolia personnel in key EU policy working

groups and advisory panels; considerable influence on defining EU water research priorities; and pressure on the EU legal framework to expel competitors, particularly local public water utilities.

But Veolia's very substantial EU lobbying activities are not only opaque, they also highlight a bias as far as the environment is concerned. The company prides itself on its environmental commitments, but at the same time lobbies the EU and acts with a rather different agenda, focusing on expensive energy-intensive clean-up technologies instead of water resource preservation; supply development rather than demand management; and promoting the structural need for as large a market as possible for water treatment. In other words, pollution can be profitable.

Letting this "market" develop to avoid dealing with the root causes of water pollution cannot be considered a sustainable option. This report shows that this perspective is nevertheless given a considerable weight by Veolia at EU level.

Note

This report was commissioned by Corporate Europe Observatory from the freelance journalist Martin Pigeon in November 2007 and was researched and written between January and June 2008. Martin Pigeon became a researcher for Corporate Europe Observatory in August 2008.

ENDNOTES

¹ H. Proglia, *Environment and growth: our challenge*, Le Monde, 25 October 2007

English version: <http://www.sustainable-development.veolia.com/en/view-point/20071026.grenelle-environnement-challenge.aspx>

² “Endocrine disrupting chemicals are generally defined as exogenous substances that alter the function(s) of the endocrine system and consequently cause adverse health effects in an organism, its progeny or subpopulations.” From “Sources of Endocrine Disrupting Chemicals”, McLaughlin Centre, Institute of Population Health, University of Ottawa
<http://www.emcom.ca/EM/source.shtml>

³ Antoine Frérot, *Quel modèle économique pour le service d'eau du XXI^{ème} siècle?* (in French) leaked and published by Marc Laimé on his website
<http://www.eauxglacees.com/Gestion-de-l-eau-2-la-vision-de>

⁴ Pointereau Ph., *L'approvisionnement en eau potable de la ville de Munich*, Solagro, 1999 (in French)

http://www.solagro.org/site/im_user/153_notestechmunich.pdf

and Laimé Marc, *Gestion de l'eau (1) : le réquisitoire de l'IFEN*, Les eaux glacées du calcul égoïste, 2 May 2008 (in French)

<http://www.eauxglacees.com/Gestion-de-l-eau-1-le-requisitoire>

⁵ Jacquot Alain *Compagnie Générale des Eaux - Rapport du conseil d'administration lu par son président, le comte Henri Siméon, lors de la première assemblée générale des actionnaires de la société tenue à Paris le 26 octobre 1853* Flux n°52/53 April-September 2003

⁶ According to Financial Times (12 June 2007), Proglia said that “if one day the international environmental assets of Suez are for sale we would clearly be interested”.

⁷ Veolia shares collapsed from a €66.25 maximum the 19/10/2007 to €16.62 the 24/10/2008

⁸ *Update 2-Veolia shares slide as Q1 profit misses forecast*, Marie Maître, Reuters, 6 May 2008

<http://www.reuters.com/article/marketsNews/idUSL0671752620080506?sp=true>

⁹ *Commissions occultes: la police chez Veolia*, Eric Pelletier and Jean-Marie Pontaut, L'Express, update 25/10/2007 (in French)

http://www.lexpress.fr/actualite/politique/commissions-occultes-la-police-chez-veolia_467214.html

¹⁰ Veolia Environnement, *Results at June 30, 2008*

<http://www.veolia-finance.com/docs/PR-RESULTS-2008-070808.pdf>

¹¹ “our analyses and proposals are relayed and we are ensured a regular presence in the bodies regulating, standardizing and representing our activities (European Commission, European Parliament, Council of the European Union, Council of European Municipalities and Regions, European Economic and Social Council, representations of the Member States, technical committees, trade associations, an industry organization (BusinessEurope, formerly UNICE) and a think tank (Confrontation Europe)”

Veolia Environnement 2006 Sustainable Development Report, P.46

¹² Notably the fact that it is “monitoring the implementation of measures recommended by the Water Framework Directive” (Veolia Environnement 2007 Sustainable Development Report, Approach, p.38). This relates to its involvement in the important working group on Common Implementation Strategy (CIS), which it doesn't mention.

¹³ Personal translation of the founding statutes of the company: « la société a pour objet [...] de [...] financer ou faciliter le financement à court, moyen et long terme du groupe auquel elle appartient ou des sociétés que le groupe auquel elle appartient souhaite financer ». Statutes registered in the Moniteur Belge, 04/01/2008.

ENDNOTES

http://www.ejustice.just.fgov.be/tsv_pdf/2008/01/11/08007574.pdf

¹⁴ Notarial act on Veolia Environnement Europe Services equity capital increase:

http://www.ejustice.just.fgov.be/tsv_pdf/2008/02/11/08022871.pdf

¹⁵ Cyril Roger-Lacan (Veolia Water) *Four goals for a successful European approach to water management*, The European Files, February 2005

¹⁶ Note for the record, meeting between Veolia and DG Competition, 11 April 2005.

¹⁷ Id.

¹⁸ Letter from Philip Lowe, DG Competition's Director General, to Mr Roger-Lacan, CEO Veolia Water Europe, 26 July 2005.

¹⁹ Particularly : *Note de positionnement sur les PPP, Concessions et sujets connexes*, sent by Veolia to DG Internal Market, 18 May 2007

²⁰ Id. (Personal translation from the original text: "En effet, d'une part son champ d'application est immense, les personnes publiques étant potentiellement, par des échanges de prestations incontrôlées, en position d'assécher le marché si elles le désirent ; d'autre part, ce sujet n'est pratiquement pas traité dans les textes existants, alors que quelques indications simples pourraient déjà être données.")

²¹ European Commission, *Commission Interpretative Communication on the application of Community law on Public Procurement and Concessions to Institutionalised Public-Private Partnerships (IPPP)* (C(2007)6661), Brussels, 05.02.2008

http://ec.europa.eu/internal_market/publicprocurement/docs/ppp/comm_2007_6661_en.pdf

²² Veolia Environnement, *Adapting to Climate Change in Europe – Options for EU actions (COM(2007)354) – Contributions from Veolia Environnement*. Sent to DG Environment the 4th December 2007.

²³ Veolia Environnement, *2007 Sustainable report – Challenges*, p.54

<http://www.sustainable-development.veolia.com/library/en/standalone/environmental-reports/2178,3-RDD-2007-Challenge-ANG.pdf>

²⁴ See *WTO and Water: The EU's Crusade for Corporate Expansion*, Corporate Europe Observatory infobrief,

<http://www.corporateeurope.org/water/infobrief3.htm>

and Derckwith C., *Water almost out of GATS?*, a Corporate Europe Observatory briefing, March 2006

<http://www.corporateeurope.org/water/gatswater2006.pdf>

²⁵ Cann V. and Jones T., *"Down the drain - How aid for water sector reform could be better spent"*, World Development Movement, November 2006.

<http://www.wdm.org.uk/resources/reports/water/downthedrainreport26112006.pdf>

and *Murky water – PPIAF, PSEEF and other examples of EU aid promoting water privatisation*, Corporate Europe Observatory (CEO), March 2007

<http://www.corporateeurope.org/murkywater.html>

²⁶ European Policy Summit *Water Security: Does Europe Have a Strategy?*

Thursday, June 07, 2007 - Brussels, Bibliothèque Solvay

<http://www.friendsofeurope.org/Events/tabid/452/EventType/EventView/EventId/209/EventDateID/209/PageID/545/WaterSecurityDoesEuropeHaveaStrategy.aspx>

²⁷ Panafrican Public Private Partnerships Initiative, 30 November 2007, Brussels

<http://www.premiercercle.com/prog.php?ID=75>

²⁸ <http://www.eureau.org>

²⁹ According to Monette, EUREAU's Secretary General.

ENDNOTES

³⁰ Veolia Environnement and Suez are theoretically competitors but also act as business partners: for instance, among the twelve subsidiaries that they own together in France, 9 have applied to procurements that saw neither VE nor Suez present a competitive offer. See <http://www.conseil-concurrence.fr/pdf/avis/02d44.pdf>, and the excellent coverage provided by French journalist Marc Laimé on those issues <http://www.eauxglacees.com>

³¹ <http://www.eureau.org/page.php?id=14>

³² Veolia Environnement, *2006 Sustainable Development Report*

<http://www.sustainable-development.veolia.com/library/en/standalone/corporate/1603.RDD06-anglais.pdf>

³³ <http://www.eureau.org/page.php?id=6>

³⁴ Gérard Payen, Xavier Maître Robert, Jack Moss, Leandro Amargos Torruella, Thomas Van Waeyenberge, Nelly Dargère, Erasmo de Alfonso Janer

³⁵ Personal translation from the original French text: « promotion au niveau international de la participation du secteur privé à la gestion collective de l'eau potable ou de l'assainissement ».

[http://www.journal-officiel.gouv.fr/association/index.php?](http://www.journal-officiel.gouv.fr/association/index.php?ACTION=Rechercher&HI_PAGE=1&HI_COMPTEUR=0&original_method=get&WHAT=aquafed&JTH_ID=&JAN_BD_CP=&JRE_ID=&JAN_LIEU_DECL=&JTY_ID=&JTY_WALDEC=&JPA_D_D=&JPA_D_F=&rechercher.x=25&rechercher.y=9&rechercher=Rechercher)

[ACTION=Rechercher&HI_PAGE=1&HI_COMPTEUR=0&original_method=get&WHAT=aquafed&JTH_ID=&JAN_BD_CP=&JRE_ID=&JAN_LIEU_DECL=&JTY_ID=&JTY_WALDEC=&JPA_D_D=&JPA_D_F=&rechercher.x=25&rechercher.y=9&rechercher=Rechercher](http://www.journal-officiel.gouv.fr/association/index.php?ACTION=Rechercher&HI_PAGE=1&HI_COMPTEUR=0&original_method=get&WHAT=aquafed&JTH_ID=&JAN_BD_CP=&JRE_ID=&JAN_LIEU_DECL=&JTY_ID=&JTY_WALDEC=&JPA_D_D=&JPA_D_F=&rechercher.x=25&rechercher.y=9&rechercher=Rechercher)

³⁶ Including Corporate Europe Observatory.

³⁷ Biwater. All the 14 other companies listed as corporate members are Veolia or Suez subsidiaries.

³⁸ 75% according to one source. Mrs d'Arras, president of the WSSTP and Research Director at Suez, mentioned another figure, 60% for private operators among which Suez and Veolia are the biggest contributors since members contribution is proportional to their turnover.

³⁹ Figure provided by Mme. d'Arras.

⁴⁰ WSSTP presentation: *European Vision for Water Supply and Sanitation in 2030*

<http://www.wsstp.eu/site/online/document-library?module=2&PageId=87&LogDocId=31>

⁴¹ Interview with Mme D'Arras on May 20th, 2008

⁴² WSSTP *Water safe, strong and sustainable – European Vision for water supply and sanitation in 2030*, October 2005

http://www.wsstp.eu/publishor/system/component_view.asp?LogDocId=61&PhyDocId=62

⁴³ European Water Partnership's List of Members:

<http://www.ewp.eu/index.cfm/site/European%20Water%20Partnership/pageid/A3F0CB81-E4EB-6F5C-947CAA7B358EA67D/index.cfm>

⁴⁴ <http://www.eucetsa.com/eucetsa/>

⁴⁵ Markets Europe "Our consumers" <http://www.marketseurope.eu.com/en/customers.html>

⁴⁶ EWP founding members are : KIWA Water Research (NL), EUCETSA (BE), IHE-UNESCO (NL), Netherlands Water Partnership (NL), SINTEF Byggforsk AS (NO), Papier Technische Stiftung (DE), SCARCE WATER (DE), IOS of European Academy of Sciences and Arts (DE), DEUTSCHER Expertenrat für Umwälttechnologie und Infrastruktur e.V. (DE), European Partners for the Environment (BE), Norit Process Technology B.V. (NL), Pâques BV (NL), TNO (NL), TNAV (BE), Institute for Ecology of Industrial Areas – IETU (PL), Delft Hydraulics (NL).

⁴⁷ The 30/05/2008, the office of the clerk of the Brussels Commercial Court still had no record of EWP accounts, whereas it was founded the 26/06/2006.

⁴⁸ The World Water Forum is organised by the World Water Council, whose president, Loïc Fauchon, is also president of the Société des Eaux de Marseille, a Veolia and Suez joint subsidiary.

ENDNOTES

⁴⁹ Saving Europe's Water, Its Place in the Eu's Green Strategy - A high-level European Policy Summit co-organised by Friends of Europe and the European Water Partnership, with the support of the Coca-Cola Company, Veolia Environnement and Dow Europe - With the participation of Stavros Dimas, EU Commissioner for the Environment - Wednesday 5 November 2008 Bibliothèque Solvay

http://www.friendsofeurope.org/portals/6/Documents/Programmes/2008-11-5_EPS_Water_Prog_and_RegForm.pdf

⁵⁰ European Water Association:

<http://www.ewaonline.de/portale/ewa/ewa.nsf/home?readform&objectid=D1664DAD8BB87C3CC12572AD00412B1F>

⁵¹ http://www.partenariat-francais-eau.fr/rubrique.php3?id_rubrique=129

⁵² Caisse des Dépôts et Consignations (CDC) is a "public financial institution that performs public-interest missions on behalf of France's central, regional and local governments." <http://www.caissedesdepots.fr/spip.php?article57>

Électricité de France (EDF) is the French national public electricity operator.

⁵³ *Dominique de Villepin VRP de luxe chez Veolia*, Bakchich, 20 June 2008, <http://www.bakchich.info:8080/breve907.html>

⁵⁴ The Agence France Trésor is "managing the State's debt and cash positions in the best interest of taxpayers and under the most secure conditions". Annual Report 2007, p.7

http://www.aft.gouv.fr/IMG/pdf/Rapport_anglais_final_BD.pdf

⁵⁵ *Proglio, l'ambitieux du Président*, Le Nouvel Observateur, 29 November 2007, http://hebdo.nouvelobs.com/hebdo/parution/p2247/articles/a361323-proglio_lambitieux_du_pr%C3%A9sident.html

⁵⁶ *L'Afep : plongée au cœur d'un discret mais très puissant lobby économique*, Eric de Legge, JDN, 16 November 2006 (in French)

<http://www.journaldunet.com/economie/enquete/afep/afep.shtml>

⁵⁷ Workshop "Regions and companies, a question of partnership", 8 October 2008, European Commission, Charlemagne building. <http://212.3.246.117/docs/1/CDEMOECDCAEFLJKKCADJCFMPDBW9DWY7Y9LTE4Q/UNICE/docs/DLS/2008-01292-E.pdf>

⁵⁸ Institut Veolia, "Economical dimensions of the environment"

<http://www.institut.veolia.org/en/studies/economy-environment.aspx>