



Media release of Bread for all

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New Study on Addax Bioenergy shows problematic investments of development banks

The Swiss company Addax Bioenergy claims that its ethanol project in Sierra Leone is “sustainable” and received more than half of the financing from development banks, including the Swiss supported African Development Bank. A new study of *Bread for all* shows that the Addax project is far from being sustainable. Addax was granted many tax exemptions and the project will mainly benefit the company while other stakeholders, including the local population, will profit marginally. Ethanol has an up to three times higher environmental impact than petrol. Addax will use 26% of Sierra Leone’s biggest river during the dry season. The compensation system of Addax lease agreement could well have encouraged the collusion of local authorities. *Bread for all* urges development banks, that finance this project to better evaluate the impacts and the risks of such an investment.

Tax issues

One major concern is the issue of tax: the Government of Sierra Leone granted Addax different tax exemptions and deductions, which will hinder the State of Sierra Leone to levy a fair share of tax from the company. Moreover, the corporate structure of Addax, involving tax heavens, further increases the risk that the company evades taxes.

The analysis of the profit sharing demonstrates that the project will mainly benefit the company. Other stakeholders, including the local population, will profit marginally.

Environmental impact

Regarding the environment, the study also reveals that ethanol from sugarcane has an up to three times higher environmental impact than petrol (because of air, soil and water pollution as well as resource consumption and use of fertilizers and pesticides) and that 4,000 hectares of bush as well as 600 hectares of forests will be cleared, even if the company claims to avoid forests,

Regarding water use, the Addax project will use 26% of the river flow during the driest months (February to April). This figure is unfortunately not explicitly acknowledged by the company, as it tends to refer only to an annual average of 2% water abstraction.

Corruption and collusion

Landgrabbing projects are subject to high corruption risks, especially in Sierra Leone that is ranked under the most corrupt countries. The compensation system of the Addax lease agreement could well have encouraged the collusion of local authorities, as they receive parts of the annual lease fees without suffering any loss.

Development banks have a shared responsibility

The project is 52% financed with public money by development banks, including the African Development Bank that is supported by Switzerland and many other countries. These development banks have a shared responsibility in the impacts and risks linked to this project. Already one development bank (the European Investment Bank, EIB) declined to provide funding to Addax due to non-compliance with the bank's environmental standards.

Landgrabbing threatens food security

Sierra Leone is not food self-sufficient and malnutrition concerns one third of the population and is responsible for one of the world's highest child and mother mortality rates. In Sierra Leone, many other land lease agreements have been or are being signed by investors that represent a total area of up to 1 million hectares (or 18% of Sierra Leone's land suitable for cultivation). One open question is the cumulative impact of all these land deals on Sierra Leone's food security, food sovereignty and water availability.

Because they finance these projects, development banks threaten food security and sovereignty as well as access to water of the local populations. Bread for all urges development banks to better evaluate the financed projects' risks and impacts and to use independent monitoring from third parties. Together with its local partners, Bread for all will continue to closely monitor the impacts of this project.

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