This report tells the story of the Oltenia Energy Complex (OEC) and the entities it has incorporated over the past fifteen years, focusing on the many corruption cases in which the company was involved. The third largest Romanian employer at over 15 000, OEC was established in 2012 when the companies that operate the largest lignite power plants and the mines that deliver their coal merged, which today includes twelve mines and four power plants.

The report is built around a central case study: the corruption investigation of Dan Șova and Victor Ponta, members of the Romanian Parliament and important figures of the Social Democrat Party. Beginning in 2006, the Șova and Associates law firm (S&A) signed a series of contracts with power plants from Gorj County. While the documents followed public acquisition procedures, their value was increased several times through addenda. Although services were acquired for legal aid in order to implement a project to bring emissions in line with European standards, the company was represented in court by said law firm in other cases, despite the fact that it had an internal legal department.

Furthermore, Turceni and Rovinari Energy Complexes signed other addenda with Șova and Associates in order to finalise transactions outside of the court system. But these were carried out only in order to provide the law firm with a success bonus, as both sides of the transactions were interested in such a deal.

Prosecutors claim in the indictment that Victor Ponta enabled these contracts that benefit only the law firm. It continues that as parliamentarian for Gorj County since 2004 and one of the most promising figures of the Social Democrat Party who later became Romania’s Prime Minister, Ponta has used his influence in the county to facilitate the contracts. Ponta signed a collaboration convention with Sova and Associates in 2007 for which he received EUR 40 000, however the invoices for this amount were not backed by documents to justify them.

In our report, boxes are inserted throughout the text, briefly presenting other cases of state capture in which the Oltenia Energy Complex was involved. The case of ‘luxury expropriated’ details how OEC directors and local politicians bought dilapidated houses next to the mines and received in exchange from the company villas in the town of Târgu Jiu. Two audits, one from the National Agency for Fiscal Administration and one from the prime minister’s Control Body, have found unjustified sponsorships and huge expenses for ‘artistic actions.’ OEC also bought a bulldozer from a Gorj County parliamentarian for which it paid EUR 200 000, several times more than the amount the broken museum piece was worth.

The last part of the report tells the story of the involvement of a public bank – the European Bank for Reconstruction and Development (EBRD) – via a loan for building a desulphurisation unit at Turceni Power Plant, the same investment for which the company contracted the services of the law firm. The EUR 200 million loan was delayed for four years, during which it was contested by civil society organisations as it breached the bank's social and environment policies. European money did not reach Gorj in the end, but OEC paid over EUR 2 million in fees.

The report concludes with a series of recommendations to discourage corrupt practices and disable state capture mechanisms. Lessons are to be drawn from this case, and it is crucial that large infrastructure financiers better investigate companies before doing business with them, and monitor them from that moment onwards.

Another key element is the need for transparency of both the lender and recipient, which should include national public institutions, the press and watchdog organisations. Finally, several other factors, such as environmental violations or preferential treatment from the state, should be an incentive for increased due diligence by public banks.