

## REPORT ON PROGRAMME MANIPULATION

### CHAPTER TWO

#### OIL TRANSACTIONS AND ILLICIT PAYMENTS

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Zureikat or anyone else.” He also stated that his wife denied that she had ever “received \$120,000 from Dr. Burhan Chelabi [*sic*] or anyone else.”<sup>163</sup>

## B. ROBERTO FORMIGONI/MARCO MAZARINO DE PETRO

Iraqi officials and Ministry of Oil records show that the Government of Iraq granted a total of over 27 million barrels of oil over 11 phases in the name of Roberto Formigoni, the President of the Lombardy Region in Italy. Over 24.1 million barrels of this oil were lifted. These oil allocations, however, were handled not by Mr. Formigoni, but by Marco Mazarino de Petro, a friend of Mr. Formigoni’s for 30 years, who, at the time, was serving as a paid consultant in the office of the President of the Lombardy Region. Through an arrangement with a local company, Costieri Genovesi Petroliferi (“CO.GE.P.”), Mr. de Petro received almost \$800,000 in revenues from the sale of this oil, through a series of accounts held in the name of “Candonly Limited,” the name given to three shell companies he controlled.<sup>164</sup>

Mr. de Petro stated that he contacted the office of Mr. Aziz to pursue oil purchases under the Programme. Mr. de Petro recalled that Mr. Formigoni mentioned CO.GE.P. to Iraqi officials during the officials’ visit to Italy in 1998, but asserted that he did not give any money from this activity to Mr. Formigoni. The Committee’s review of available information does not reveal that Mr. Formigoni received proceeds from the sale of this oil. Despite several attempts, however, the Committee was unable to obtain the cooperation of Mr. Formigoni or CO.GE.P. Mr. Formigoni has denied receiving oil allocations.

### 1. Background

Mr. Formigoni has served as the President of the Lombardy Region since 1995 and previously served as Undersecretary to the Italian Ministry of Environment. He became friendly with Mr. Aziz in 1990, when he traveled to Baghdad in an effort to obtain the release of Italian hostages. He maintained a relationship with Mr. Aziz and Iraqi officials throughout his Presidency—traveling to Baghdad and meeting with visiting Iraqi officials several times during the Programme, and attending the Baghdad Conference with Mr. Aziz in 1999. Mr. Formigoni was a supporter of Iraq long before the beginning of the Programme, and he openly was against the embargo.<sup>165</sup>

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<sup>163</sup> George Galloway e-mail to the Committee (Oct. 17, 2005). Mr. Galloway was interviewed by the Committee in May 2005. He refused a second interview stating he “had nothing more to say” to the Committee. Although Mr. Galloway stated he would consider answering written questions, it is not the Committee’s practice to conduct interviews in this manner. George Galloway e-mail to the Committee (Aug. 23, 2005).

<sup>164</sup> For the purposes of this Report, “Candonly Limited” refers to three Candonly entities: (1) Candonly Dublin; (2) Candonly Ltd. London; and (3) Candonly BV Amsterdam.

<sup>165</sup> Roberto Formigoni, “Biografia,” <http://www.formigoni.it/biografia.htm>; The International Who’s Who, “Roberto Formigoni,” <http://www.worldwhoswho.com/views/entry.html?id=for-0424&ssid+938641625>

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During much of the Programme, Mr. de Petro, a former parliamentarian and mayor, worked simultaneously as a consultant to the office of the President of the Lombardy Region and as a consultant to Italian companies seeking to do business in Iraq. Mr. de Petro stated that he had been working in the office of the President of the Lombardy Region since August 1998. In addition to their working relationship, Mr. Formigoni and Mr. de Petro are close friends; they have vacationed together for many years and have shared ownership of a boat since at least 2002.<sup>166</sup>

Mr. Formigoni assisted Mr. de Petro in obtaining business opportunities for his clients under the Programme. After the signing of the Iraq-UN MOU, but before the Programme started, Mr. Formigoni wrote a letter to Mr. Aziz specifically recommending Mr. de Petro as a representative of Italian companies that wanted to resume business in Iraq:

[Mr. de Petro] represents many important Italian Companies that work in many sectors, food and drug included, and that want to recommence the trading collaboration with your nation immediately.

It would be very important for we all if you could introduce Mr. De Petro in the Government offices that supervise food and drug supply, but other sectors too, like infrastructures and technologies.<sup>167</sup>

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&n=1; Tariq Aziz interview (Mar. 1, 2005); Confidential witness interview; Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005) (recalling attending a meeting with Mr. Formigoni and Mr. Rashid at an airport in 1998); “Italy, Iraq Closer to Dialogue,” *Il Sole 24 Ore*, Nov. 19, 2000 (translated from Italian) (noting that Mr. Formigoni had traveled to Iraq for the sixth time in ten years); Warren Strobel, “Iraq Agrees to Hold Talks with U.S.; Bush Rules Out Concessions,” *Washington Times*, Dec. 6, 1990; “Iraq’s Aziz to Meet Milan Region President 13 Feb,” *BBC Monitoring International Reports*, Feb. 9, 2003 (quoting Mr. Formigoni stating, “I have known Aziz for 12 years”); “Italian Paper Sees Iraqi Deputy Prime Minister’s Visit to Rome as ‘Hit,’” *La Stampa*, Feb. 14, 2003, p. 3 (quoting Mr. Formigoni as saying “I am very happy to meet my old friend [Tariq Aziz]” during Mr. Aziz’s trip to Rome); Roberto Formigoni letter to Tariq Aziz (Oct. 24, 1996) (“I would like to reaffirm by this letter my solidarity towards the Irakian [*sic*] people, in consideration of the recent events too that have caused new pains to your nation. I have showed my solidarity formally either to my Government or to the public opinion by declarations and interviews.”).

<sup>166</sup> Marco Mazarino de Petro interview (Sept. 28, 2005) (stating that, from 1976 to 1979, he was a member of the Italian Parliament; from 1983 to 1989, he was the mayor of Chiavari, a city near Genoa); Marco Mazarino de Petro record, Director General Nicolamaria Sanese, Personnel list for the office of the President, Regione Lombardia (undated) (translated from Italian) (citing a 1998 budget), and Elenco Componenti Segregetaria del Presidente (undated) (translated from Italian) (listing Mr. de Petro as having been employed in early 1997); Italy Ministry of Infrastructure and Transportation record, Boat registration certificate, no. DIP/280/91 (July 4, 2002) (indicating purchase of a boat on this date to four people, including Roberto Formigoni and Oriana Ruozi, Mr. de Petro’s spouse); Renzo Parodi, “Chiavari, l’ex sindaco ciellino che fece affair con Tarek Aziz,” *Il Secolo XIX*, (Feb. 10, 2005) (translated from Italian) (referring to Oriana Ruozi as Mr. de Petro’s spouse).

<sup>167</sup> Roberto Formigoni letter to Tariq Aziz (Oct. 24, 1996) (written on his personal stationery, stating that “Mr. de Petro represents many important Italian companies that work in many sectors”). On at least one

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Mr. de Petro recalled that he delivered this letter to the office of Mr. Aziz.<sup>168</sup>

By his own account, from 1997 through 2003, Mr. de Petro traveled to Iraq approximately once each phase to meet with SOMO officials regarding SOMO's relationship with CO.GE.P., and an additional two to three times with Italian entrepreneurs on official missions for the Region of Lombardy. He explained that he also did work in his capacity as a consultant for the office of the President of the Lombardy Region when he would travel to Baghdad for other clients.<sup>169</sup>

## 2. Oil Allocations and Contracts

According to Iraqi officials and Ministry of Oil records, over 27 million barrels of oil were allocated in the name of Mr. Formigoni in Phases II through XIII during the Programme. Mr. Aziz confirmed that Mr. Formigoni received oil allocations, noting that Lombardy had a number of oil refineries. In SOMO allocation tables, Mr. Formigoni's name appears under "special requests" for Italy. According to one Iraqi official, the allocations made in Mr. Formigoni's name were negotiated and handled by Mr. de Petro and individuals associated with CO.GE.P. Mr. Formigoni, on the other hand, has denied receiving oil allocations.<sup>170</sup>

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other occasion Mr. Formigoni provided a reference to Mr. de Petro and a company Mr. de Petro represented. Roberto Formigoni letter to Tariq Aziz (Sept. 30, 1998) (written on his personal stationery, noting that Mr. de Petro represents the Italian company Aliena).

<sup>168</sup> Roberto Formigoni letter to Tariq Aziz (Oct. 24, 1996) (stating to Tariq Aziz "you already know [Mr. de Petro] and he is the bearer of this letter"); Marco Mazarino de Petro interview (Sept. 28, 2005).

<sup>169</sup> Marco Mazarino de Petro interview (Sept. 28, 2005); Candonly Limited and CO.GE.P. contract (Mar. 3, 1998). From his first trip in 1995 until the first oil contract was signed, Mr. de Petro traveled at least seven times to Baghdad. He traveled to Iraq in June 1995 (by invitation of the Iraqi Ministry of Transport); May 1996 (by invitation of the Iraqi Ministry of Transport); December 1996, March 1997, May 1997, and January 1998 (by invitation of the Iraqi Ministry of Oil); and May 1998 (by invitation of the Iraqi Ministry of Oil). In addition, Mr. de Petro traveled to Jordan on five occasions during this period. Marco Mazarino de Petro record, Marco Mazarino de Petro passport.

<sup>170</sup> Committee oil beneficiary table, Roberto Formigoni. SOMO letters to Amer Rashid (Jan. 19, 1998) (approving contract M/03/32 for 1.8 million barrels of oil for CO.GE.P.), (June 13, 1998) (approving contract M/04/32 for 4 million barrels of oil for CO.GE.P.), (Dec. 19, 1998) (approving contract M/05/34 for 3 million barrels of oil for CO.GE.P.), (June 1, 1999) (approving contract M/06/32 for 4 million barrels of oil for CO.GE.P.), (Dec. 20, 1999) (approving contract M/07/34 for 2 million barrels of oil for CO.GE.P.), (Oct. 23, 2001) (approving contract M/10/98 for 2 million barrels of oil for CO.GE.P.), (May 23, 2002) (approving contract M/11/126 for 1.5 million barrels of oil for CO.GE.P. "(for the benefit of Mr. Formigoni)"), (June 1, 2002) (approving contract M/12/04 for 1.5 million barrels of oil for CO.GE.P. "(for the benefit of Mr. Formigoni)"), (Dec. 10, 2002) (approving contract M/13/12 for 1.5 million barrels of oil for CO.GE.P. "Name of holder of allocation: Formigoni") (each translated from Arabic) (hereinafter "Approval letters for CO.GE.P. contracts"); Financial Division of SOMO letter to Crude Oil Two Department (Feb. 28, 2001) (translated from Arabic) (detailing contract M/09/65 for 1 million barrels of oil for CO.GE.P.); SOMO oil allocation tables for the first 90 days of Phase II (June 19, 1997) (indicating an allocation of 10,000 barrels per day (equivalent to 1.8 million barrels for a phase) for "Costieri" from Italy),

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Ministry of Oil officials and records confirm that Mr. de Petro and CO.GE.P. officials served as the representatives for Mr. Formigoni's allocations and that over 24 million barrels of oil were lifted under CO.GE.P.'s contracts. A SOMO official stated that one day Mr. Rashid came back from a trip to Italy and announced the name of "Formigoni" as a new recipient of allocations. During a trip to Italy in April 1997, Mr. Rashid personally requested to meet with Mr. Formigoni, saying: "I ask permission to meet a friend of my Minister [Aziz] to give him regards." At the meeting, Mr. Formigoni told Mr. Rashid that he was dedicated in his efforts to lobby the Italian government to raise support to lift the embargo and asked Mr. Rashid to give his regards to Mr. Aziz.<sup>171</sup>

Following that meeting in May 1997, Mr. de Petro and a CO.GE.P. representative traveled to Baghdad to meet with SOMO officials. The next month, "the Italian company Costieri, mentioned in the special requests" was included in the oil allocations for Phase II for 10,000 barrels per day (the equivalent of 1.8 million barrels per phase). Phase II passed without CO.GE.P. lifting any oil, and, on December 22, 1997, Mr. de Petro wrote a letter to CO.GE.P. suggesting that it "renew" its efforts to obtain business with SOMO. In January 1998, Mr. Formigoni's name was placed on the SOMO allocation list for Phase III, and, on January 18, 1998, Mr. de Petro signed a contract between CO.GE.P. and SOMO for the 1.8 million barrels in that allocation. In March, Mr. de Petro executed an agreement with CO.GE.P., whereby he would

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Phase III (Jan. 10, 1998) (indicating an allocation of 10,000 barrels per day (equivalent to 1.8 million barrels for a phase) for "CO.GE.P."), Phase IV (June 11, 1998) (indicating an allocation of 4 million barrels for "CO.GE.P. (Robert [sic] Formigoni)"), Phase V (Nov. 28, 1998) (indicating an allocation of 4 million barrels of oil for "CO.GE.P. (Formigoni)"), Phase VI (May 27, 1999) (indicating an allocation of 4 million barrels of oil for "Mr. Robert [sic] Formigoni"), Phase VII (Dec. 17, 1999) (indicating an allocation of 2 million barrels of oil for "Mr. Robert [sic] Formigoni"), Phase VIII (June 14, 2000) (indicating an allocation of 2 million barrels of oil for "Mr. Robert [sic] Formigoni"), Phase X (Aug. 4, 2001) (indicating an allocation of 2 million barrels of oil for "Formigoni"), Phase XI (Dec. 1, 2001) (indicating an allocation of 1.5 million barrels of oil for "Formigoni/CO.GE.P."), Phase XII (May 19, 2002) (indicating allocations of 1.5 million barrels of oil for "Formigoni/CO.GE.P."), Phase XIII (Nov. 17, 2002) (indicating allocations of 1.5 million barrels of oil for "Formigoni/CO.GE.P.") (each translated from Arabic) (hereinafter "SOMO oil allocation tables for Formigoni"); Iraq officials interviews (one official stating that a woman named "Maria" came to SOMO on Mr. Formigoni's behalf and designated CO.GE.P. as the company to lift this oil) (another official indicating that the allocations to CO.GE.P. were made only because Formigoni was a prominent figure who spoke out in support of Iraq); Tariq Aziz interview (Mar. 1, 2005) (stating that Mr. Formigoni had received oil allocations and that Lombardy had a number of oil refineries); Robert Formigoni letter to the Committee (Oct. 21, 2005).

<sup>171</sup> Committee oil beneficiary table, Roberto Formigoni. SOMO oil allocation tables for Formigoni (translated from Arabic); Approval letters for CO.GE.P. contracts; SOMO sales contracts, nos. M/03/32 (Jan. 18, 1998), M/04/32 (June 13, 1998), M/05/34 (Dec. 17, 1998), M/06/32 (May 31, 1999), M/07/34 (Dec. 15, 1999), M/08/51 (June 26, 2000), M/09/65 (Feb. 21, 2001), M/10/98 (Oct. 18, 2001), M/11/126 (May 22, 2002), M/12/04 (May 30, 2002), M/13/12 (Dec. 8, 2002) (contracting with CO.GE.P.) (hereinafter "CO.GE.P. sales contracts"); Iraq official interview; Confidential witness interview.

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receive 45 percent of the net profits from these transactions, which later was amended to \$0.032 per barrel for the remainder of the Programme.<sup>172</sup>

Mr. de Petro stated that he was first approached by CO.GE.P. around 1997 for assistance in conducting business under the Programme. But Mr. de Petro's early letters to CO.GE.P. indicate that it was he who sought CO.GE.P.'s assistance; indeed, Mr. de Petro apparently had solicited other individuals in the oil industry before approaching CO.GE.P.<sup>173</sup>

When interviewed, Mr. de Petro explained that, although he had contacts with various Iraqi ministries from his previous work, he did not have any contacts at SOMO, so he called the secretary to Mr. Aziz, who agreed to help him. As a result, Mr. de Petro was able to arrange a meeting with SOMO and to obtain a contract for CO.GE.P. Mr. de Petro asked Mr. Aziz's secretary to put in a good word for him, but Mr. de Petro insisted that he never mentioned Mr. Formigoni's name either at Mr. Aziz's office or at SOMO, "even though they knew that I know Formigoni." However, other participants who attended the meetings at SOMO with Mr. de Petro and CO.GE.P. officials recall that Mr. Formigoni's name was mentioned as a beneficiary on more than one occasion.<sup>174</sup>

Mr. de Petro was asked if Mr. Formigoni knew of Mr. de Petro's relationship and work with CO.GE.P. Mr. de Petro initially stated that Lombardy Region officials were not aware of his

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<sup>172</sup> Marco Mazarino de Petro record, Marco Mazarino de Petro passport (showing that Mr. de Petro traveled to Iraq from May 23 to 27, 1997); Candonly Limited letter to CO.GE.P. (May 5, 1997) (translated from Italian) (noting Mr. de Petro's availability to travel to Baghdad on May 22, 1997); Candonly Limited letter to CO.GE.P. (Dec. 22, 1997) (translated from Italian) (referring to a May 25, 1997 meeting with SOMO in which SOMO provided "a verbal response," and suggesting that CO.GE.P. "renew" its approach); Marco Mazarino de Petro interview (Sept. 28, 2005) (confirming that he wrote both letters and noting that he controlled all of the Candonly entities paid by CO.GE.P. (Candonly Dublin, Candonly Ltd. London, and Candonly BV Amsterdam)); Ministry of Oil record, Taha Yassin Ramadan letter to Amer Rashid (June 19, 2005) (translated from Arabic); SOMO oil allocation table for the first 90 days of Phase II (June 19, 1997) (translated from Arabic); Committee oil surcharge, company, and beneficiary tables, contract no. No contracting company (no contract was executed in this phase), M/03/32 (showing no lifts for Phase II); SOMO oil allocation list for Phase III (Jan. 12, 1998); CO.GE.P. record, Candonly Limited and CO.GE.P. "Associazione in Partecipazione" contract (Mar. 3, 1998); signed by Mr. de Petro and Natalio Catanese); Saverio Catanese letter to CO.GE.P. (Feb. 23, 1999) (defining the relationship between CO.GE.P., Candonly, and Mr. de Petro); Saverio Catanese letter to CO.GE.P. (Feb. 24, 1999) (modifying the agreement with Candonly to \$0.032 per barrel and stating that communication with Mr. de Petro will be handled by Saverio Catanese).

<sup>173</sup> Candonly Limited letter to CO.GE.P. (May 5, 1997) (translated from Italian); Candonly Limited letter to CO.GE.P. (Dec. 22, 1997) (translated from Italian) (suggesting that CO.GE.P. "renew" its approach); Marco de Petro interviews (Sept. 28 and Oct. 12, 2005); Confidential witness interview (one individual familiar with the oil market had been informed by at least one oil trader that Mr. de Petro had approached that trader before he had approached CO.GE.P.).

<sup>174</sup> Marco Mazarino de Petro interview (Sept. 28, 2005); Iraq official statement; Confidential witness interview.

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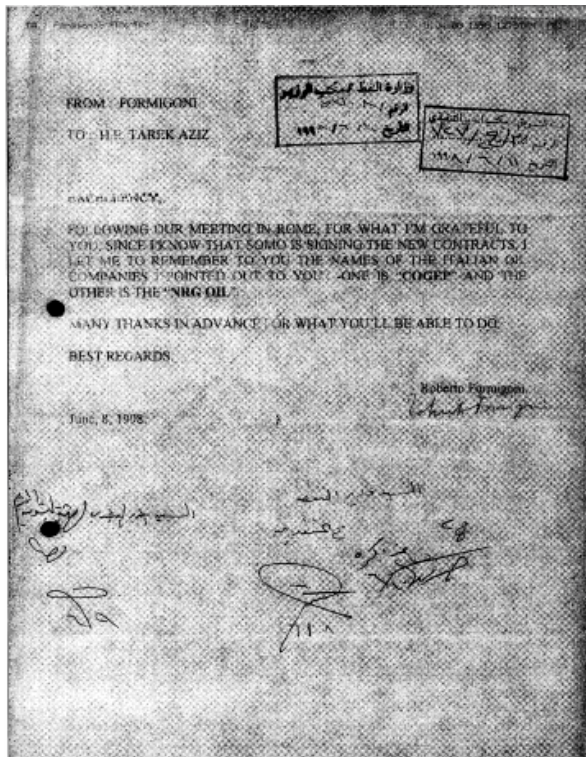
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work, but he acknowledged that “in general, I must have told the President about my relation to CO.GE.P., it certainly wasn’t frequent and wasn’t a briefing.”<sup>175</sup>

Mr. de Petro recalled that, on at least one occasion, Mr. Formigoni had communicated to Mr. Aziz to “keep CO.GE.P. in mind” and probably had done so in writing. He identified a June 8, 1998 letter written to Mr. Aziz in the name of Mr. Formigoni, which asked Mr. Aziz to remember the names CO.GE.P. and NRG Oil:

[Reproduction of document in English with translation of Arabic notes]



Da: Panasonic FAX/TAM N. Tel. GIU. 08 1998 12:57PM P01

[Translation from Arabic-stamp:  
Ministry of Oil/Office of the Minister  
Number/5708  
Date: 10/6/1998]

[Translation from Arabic-stamp:  
SOMO/Office of the Executive Director  
Number: rm/kh2/727  
Date: 11/6/1998]

FROM: FORMIGONI

To: H.E. TAREK AZIZ

EXCELLENCY

FOLLOWING OUR MEETING IN ROME, FOR WHAT I'M GRATEFUL TO YOU, SINCE I KNOW THAT SOMO IS SIGNING THE NEW CONTRACTS, I LET ME TO REMEMBER TO YOU THE NAMES OF THE ITALIAN OIL COMPANIES I POINTED OUT TO YOU: ONE IS "COGEP" AND THE OTHER IS THE "NRG OIL".

MANY THANKS IN ADVANCE FOR WHAT YOU'LL BE ABLE TO DO.

BEST REGARDS.

June, 8, 1998.

Roberto Formigoni  
Signed

[Translation from Arabic-handwriting  
To Minister of Oil  
With Regards,  
08/06 signed]

[Translation from Arabic-handwriting  
To Mr. Executive Director of SOMO  
09/06 signed]

[Translation from Arabic-handwriting  
Kh2 memorandum  
10/06 signed]

Figure: Letter to Tariq Aziz (June 8, 1998).

Mr. de Petro acknowledged that this letter was sent from his fax machine at his apartment. He initially stated that at the beginning of the phase (the letter is dated at about the beginning of Phase IV) he had asked Mr. Formigoni to remind SOMO about CO.GE.P. But in the same

<sup>175</sup> Marco Mazarino de Petro interview (Sept. 28, 2005).

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interview, he then stated that the signature was not Mr. Formigoni's, noting "you know people do sign on behalf of other people." Moments later, Mr. de Petro again said, "It could be that I asked Mr. Formigoni to send a fax to remind Mr. Aziz." In his second interview, Mr. de Petro stated that he could be the author of the letter, and, after initial hesitation, stated that he may have signed the letter. He then refused to answer further questions about the signature on the letter.<sup>176</sup>

Mr. de Petro told the Committee that he was not involved at all in the operations of CO.GE.P. and only initiated the first contact with SOMO. After that, Mr. de Petro would travel to Iraq and visit SOMO "more or less" every phase to remind them of the CO.GE.P. allocations. After each lifting of oil, CO.GE.P. would notify Mr. de Petro, who then would make an invoice based on his or CO.GE.P.'s calculation in the name of Candonly Limited and submit the invoice to CO.GE.P. Mr. de Petro confirmed that he was the only person working for Candonly Limited, that there were no other employees, and that the fiduciary companies that ran the accounts of the companies received their instructions only from Mr. de Petro.<sup>177</sup>

In his role as a consultant, Mr. de Petro received commissions on every lift of oil conducted by CO.GE.P. Over the course of his arrangement with GO.GE.P., Mr. de Petro earned a total of almost \$800,000 in addition to travel expenses. Although Mr. de Petro could not remember the details of payments he received from CO.GE.P., he generally confirmed the accuracy of the CO.GE.P. documents presented to him by the Committee.<sup>178</sup>

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<sup>176</sup> Roberto Formigoni letter to Tariq Aziz (June 8, 1998); Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005). An Iraqi official also recalled a short visit by Mr. Formigoni to Iraq during which he met Mr. Aziz and told Mr. Aziz that Italian companies would appreciate business from Iraq. The same official remembered that Mr. Formigoni "actively promoted" a particular civil aviation company on a tender, but that a contract was never approved. Iraq official interview; Roberto Formigoni letters to Tariq Aziz (Oct. 24, 1996) (re-introducing Mr. de Petro as representing companies in different sectors and requesting assistance to Mr. de Petro), (Sept. 30, 1998) (intervening on behalf of Aliena in relation to a bidding process).

<sup>177</sup> Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005).

<sup>178</sup> CO.GE.P. record, Candonly Limited invoice (June 2, 1998) (requesting payment of \$27,345); UEB record, CO.GE.P. account, debit advice (June 16, 1998) (indicating payment of \$27,345 to Candonly Limited); CO.GE.P. record, Candonly Limited invoices (May 14, 1998) (requesting payment of \$12,110), (Dec. 14, 1998) (requesting payment of \$70,000); UEB record, CO.GE.P. account, debit advice (Jan. 17, 2001) (indicating payment of \$70,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Sept. 7, 1998) (requesting payment of \$53,752); Credito Bergamasco record, CO.GE.P. account, debit advice (Sept. 11, 1998) (indicating payment of \$53,752 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (June 21, 1999) (requesting payment of \$127,618); UEB record, CO.GE.P. account, debit advice (June 24, 1999) (indicating payment of \$127,618 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Sept. 6, 1999) (requesting payment of \$63,595); UEB record, CO.GE.P. account, debit advice (Sept. 22, 1999) (indicating payment of \$63,595 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Oct. 25, 1999) (requesting payment of \$32,000); UEB record, CO.GE.P. account, debit advice (Oct. 28, 1999) (indicating payment of \$32,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Nov. 23, 1999) (requesting payment of \$31,744); UEB record, CO.GE.P. account, debit advice (Nov. 26, 1999) (indicating payment of \$31,744 to Candonly Limited); CO.GE.P. record, Candonly

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Mr. de Petro was questioned about whether he provided any of the proceeds he received to any government official or to Mr. Formigoni. Mr. de Petro stated that he made no payment from the proceeds of the oil sales to Mr. Formigoni or anyone in the office of the President.<sup>179</sup>

### 3. Surcharge Payments

According to Ministry of Oil records and bank and financial documents, between December 14, 2000 and May 16, 2002, a total of over \$942,000 in surcharges levied on CO.GE.P. was paid directly by CO.GE.P. and its officers, including Paolo Lucarno and Andrea Catanese, to SOMO bank accounts.<sup>180</sup>

CO.GE.P. officers learned of the surcharge requirement through Mr. Lucarno, who was informed by SOMO officials and who then told other CO.GE.P. officials. After some discussion, and with the understanding that CO.GE.P. would not be able to continue contracting with SOMO unless it paid the surcharges, CO.GE.P. officials agreed to do so and initiated payments. As was often

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Limited invoice (Jan. 12, 2000) (requesting payment of \$60,450); UEB record, CO.GE.P. account, debit advice (Jan. 17, 2000) (indicating payment of \$60,450 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Mar. 14, 2000) (requesting payment of \$3,352); UEB record, CO.GE.P. account, debit advice (Mar. 17, 2000) (indicating payment of \$3,352 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Dec. 4, 2000) (requesting payment of \$60,000), (Dec. 4, 2000) (requesting payment of \$10,000); UEB record, CO.GE.P. account, debit advice (Jan. 17, 2001) (indicating payment of \$70,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Sept. 12, 2000) (requesting payment of \$50,663); UEB record, CO.GE.P. account, debit advice (Oct. 23, 2000) (indicating payment of \$59,546 to Candonly Limited for Sept. 12, 2000 invoice and travel expenses); CO.GE.P. record, Candonly Limited invoice (Mar. 14, 2000) (requesting payment of \$3,552); UEB record, CO.GE.P. account, debit advice (Mar. 17, 2000) (indicating payment of \$3,552 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Feb. 14, 2002) (requesting payment of \$161,204.52); UEB record, CO.GE.P. account, debit advice (Apr. 18, 2002) (indicating payment of \$161,204.52 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Dec. 23, 2002) (requesting payment of \$15,000); UEB record, CO.GE.P. account, debit advice (Jan. 8, 2003) (indicating payment of \$15,000 to Candonly Limited); CO.GE.P. record, Candonly Limited invoice (Mar. 27, 2003) (requesting payment of \$17,500); Marco Mazarino de Petro interview (Oct. 12, 2005).

<sup>179</sup> Marco Mazarino de Petro interview (Sept. 28, 2005).

<sup>180</sup> Committee oil surcharge table, contract no. M/08/51; UBS Lugano record, Starna account, payment order (Dec. 11, 2000) (order signed by Igor Patscheider for the transfer of \$60,000 to a SOMO account at Fransabank) and debit advices (Dec. 12, 2000) (two payments of \$30,000 each to be transferred to Fransabank); Fransabank record, SOMO account, SWIFT message (Dec. 14, 2000) (translated from French and Arabic) (showing payment of \$30,000 from UBS Lugano to a SOMO account at Fransabank); Jordan National Bank record, SOMO account, credit advices (May 31, 2001) (showing payment of \$250,580 with reference “Catanesse” from UBS Lugano), (Apr. 4, 2002) (showing payment of \$159,985 with “by order of Andrea Catanese”), (Apr. 8, 2002) (showing payment of \$319,287.45 with reference to “Andrea Catanese & Paolo Lucarno”), (May 16, 2002) (showing payment of \$152,985 “by order of Andrea Catanese”) (each translated from Arabic).

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required by SOMO of contract holders, CO.GE.P. officers committed to making some of these surcharge payments by signing an undertaking:<sup>181</sup>

DATE: 15 10/1 2002

TO THE EXECUTIVE DIRECTOR GENERAL  
STATE OIL MARKETING (SOMO)  
BAGHDAD - IRAQ

SUBJ: UNDERTAKING

COGEP UNDERTAKES TO PAY TO SOMO'S DESIGNATED BANK  
AN AMOUNT OF U.S. DLR. 0.30/BBL ( FOR U.S. DESTINATION )  
AND OR U.S. DLR. 0.25/BBL ( FOR EUROPE AND THE FAR EAST  
DESTINATION ) FOR THE QUANTITY OF 2,000,000 BBLs CRUDE  
OIL TO BE LIFTED UNDER CONTRACT  
M/11/126 DATED 22 15/2002 WITHIN 30 DAYS OF BILL OF  
LADING DATE .

PAOLO LUCARNO  
MARKETING MANAGER



ANDREA CATANESE  
MANAGING DIRECTOR



**Figure: Paolo Lucarno and Andrea Catanese letter to Executive Director General of SOMO (Apr. 15, 2002).**

The first payment occurred on December 13, 2000, in two transfers of \$30,000 each, from an account in the name of “Starna” at UBS Lugano to a SOMO bank account at Fransabank. The Starna account was opened by Andrea Catanese, managing director of CO.GE.P. The second surcharge payment of \$250,580 also originated from a UBS Lugano account and was transferred to a SOMO account at Jordan National Bank Amman. The remittance information on the SWIFT and a note on the credit advice reads “RIF: CATANESE.”<sup>182</sup>

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<sup>181</sup> Confidential witness interview; Paolo Lucarno and Andrea Catanese letter to SOMO (Apr. 15, 2002).

<sup>182</sup> Fransabank record, SOMO account, SWIFT message (Dec. 14, 2000) (translated from French and Arabic) (showing payment of \$30,000 from UBS Lugano); UBS Lugano record, Starna account, payment order (Dec. 11, 2000) (order signed by Igor Patscheider for \$60,000 to be transferred to a SOMO account at Fransabank) and debit advices (Dec. 12, 2000) (two payments of \$30,000 each to be transferred to a SOMO account at Fransabank); Committee oil surcharge table, contract no. M/08/51; UBS Lugano record, Starna account, account opening statement (Feb. 2, 1998) (indicating that account was opened by Andrea Catanese and that Igor Patscheider had power of attorney over the account); Jordan National Bank record, SOMO account, credit advice (May 31, 2001) and SWIFT message (May 29, 2001) (each translated from Arabic).

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The remaining surcharge payments were paid from an account at Jordan National Bank controlled by CO.GE.P. officials Andrea Catanese and Paolo Lucarno. A total of \$632,257 was transferred through this account to a SOMO account in the same bank.<sup>183</sup>

Mr. de Petro stated that he had heard about the issue of surcharges, but neither Mr. Aziz, his representatives, nor SOMO ever informed him about the requirement to pay surcharges. He also claimed that CO.GE.P. never raised the issue with him, and he did not know what CO.GE.P. had done in this regard. Bank records, however, show that the first surcharge payment originated from a Candonly account controlled by Mr. de Petro. On December 11, 2000, \$60,000 was transferred from the Candonly account at BSI AG bank to the Starna account. Two days later, the first surcharge payments (\$30,000 each) were made from the Starna account to a SOMO account at Fransabank.<sup>184</sup>

When questioned about this transaction, Mr. de Petro explained that, on one occasion around 1999 or 2000, CO.GE.P. needed money in Switzerland for its activities in Albania and in the rice trade. CO.GE.P. asked Mr. de Petro to make the payment through Candonly's account in Switzerland to an account indicated by CO.GE.P. and to issue an invoice to CO.GE.P. Mr. de Petro stated, however, that he did not know the company Starna, and he denied any knowledge that this money was used for payment of surcharges to SOMO.<sup>185</sup>

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<sup>183</sup> Jordan National Bank record, Andrea Catanese and Paolo Lucarno account, account opening documents (Mar. 3, 2002) and account activity statements for Mar. 31 to Dec. 31, 2002 (Sept. 11, 2003) (each translated from Arabic); see also Andrea Catanese e-mail to Jordan National Bank (Apr. 4, 2002) (translated from Arabic) (instructing the bank to transfer the sum of the money available in the account to a SOMO account (the balance in the account at the time was \$319,287.45)). These CO.GE.P. officials had agreed to pay to SOMO an amount of \$0.25 or \$0.30 per barrel (depending on the destination of the oil purchased under contract M/11/126) within 30 days of bill of lading dates. Andrea Catanese and Paolo Lucarno letter to SOMO (Apr. 15, 2002); Jordan National Bank record, SOMO account, credit advices (Apr. 4, 2002) (showing payment of \$159,985 "by order of Andrea Catanese"), (Apr. 8, 2002) (showing payment of \$319,287.45 with reference to "Andrea Catanese & Paolo Lucarno"), (May 16, 2002) (showing payment of \$152,985 "by order of Andrea Catanese") (each translated from Arabic).

<sup>184</sup> Marco Mazarino de Petro interview (Sept. 28, 2005); BSI AG record, Candonly account, payment order (Dec. 6, 2000) (order by Candonly Limited to BSI AG for payment of \$60,000 to the account of Starna at UBS Lugano); UBS Lugano record, Starna account, credit advice (Dec. 11, 2000) (receipt of \$60,000 by order of Candonly Limited), payment order (Dec. 11, 2000) (order signed by Igor Patscheider for \$60,000 to be transferred to a Fransabank account), and debit advices (Dec. 12, 2000) (two payments of \$30,000 each to be transferred to Fransabank); Fransabank record, SOMO account, SWIFT message (Dec. 14, 2000) (translated from French and Arabic) (showing receipt of \$30,000 from UBS Lugano); Committee oil surcharge table, contract no. M/08/51.

<sup>185</sup> Marco Mazarino de Petro interview (Oct. 12, 2005) (stating also that, on another occasion, CO.GE.P. asked him to transfer an amount of \$100,000). When first asked about Starna and any payments from him or Candonly to CO.GE.P. or people or companies associated with CO.GE.P., Mr. de Petro responded that he did not know Starna and that no payments were made from Candonly or him to CO.GE.P. However, during his second meeting with the Committee, Mr. de Petro acknowledged that he made a payment, and assumed that CO.GE.P. had asked him for this favor because CO.GE.P. could not move the money around

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#### C. FATHER JEAN-MARIE BENJAMIN AND ALAIN BIONDA

Alain Bionda, a Swiss attorney, businessman, and oil trader based in Geneva, used his friendship with activist Father Jean-Marie Benjamin to obtain from the Government of Iraq over two million barrels of oil under the Programme. Father Benjamin and Mr. Bionda both denied that Father Benjamin had any interest in the Iraqi oil or proceeds from its sale. After Mr. Bionda sold the rights to the oil, he gave \$140,000 of the oil proceeds to Father Benjamin as a donation. Father Benjamin has stated that he accepted the money as a donation without knowing the source of the funds.

#### 1. Background

From 1991 to 1994, Father Benjamin, an ordained priest, worked as an assistant to the Vatican State Secretary, Cardinal Agostino Casaroli. In 1997, Father Benjamin began campaigning on issues relating to Iraq, including advocating for the lifting of sanctions. In his initial visit to Iraq in 1998, Father Benjamin became friendly with Mr. Aziz, the sole Christian member of Saddam Hussein's cabinet, while producing the documentary "Iraq: The Birth of Time." In 1999, Father Benjamin founded the Benjamin Committee for Iraq. In April 2000, Father Benjamin was a passenger on an unauthorized flight from Rome to Baghdad that purposefully defied the embargo. In 2001, Mr. Aziz reportedly expressed his appreciation for Father Benjamin's "prodigious efforts to establish the principles of justice and right." In February 2003, Father Benjamin helped organize a trip to Italy for Mr. Aziz.<sup>186</sup>

Mr. Bionda owns and operates Zyrya Management Services. In 2000, he was representing certain companies in prospective business ventures in Iraq and attempting to break into the Iraqi crude oil market. Mr. Bionda's efforts to obtain an oil allocation by directly approaching SOMO and Mr. Aziz failed. Mr. Bionda then decided to follow advice he had received from an Iraqi national to find someone with links to either the regime or to a country favored by Iraq. That individual

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without an invoice. Mr. de Petro could not explain, however, why the invoice was not issued directly by CO.GE.P.'s business partners in Albania. Marco Mazarino de Petro interviews (Sept. 28 and Oct. 12, 2005).

<sup>186</sup> Ezzedine Said, "Father Benjamin, a priest on a mission to save Iraq," *Agence France-Presse*, Sept. 18, 2002; Fondazione Beato Angelico, "Foundation," <http://www.beatoangelico.org/organigrammaGB.htm>; Benjamin for Iraq, "Biography of Jean-Marie Benjamin," [http://www.benjaminforiraq.org/Benjamin\\_biografia\\_GB.html](http://www.benjaminforiraq.org/Benjamin_biografia_GB.html); "The Priest and the Prisoner," *SBS Current Affairs Transcripts*, Apr. 20, 2005; "French priest says he has Pope's blessing for going to Iraq," *Agence France Presse*, Dec. 2, 2000; "Deputy Premier receives chairman of Benjamin Committee," *BBC Monitoring Middle East – Political*, Apr. 30, 2001; David Rennie, "Tough questions for 270 named in Iraqi documents," *The Daily Telegraph*, Apr. 23, 2004, p. 17; Phil Stewart, "Catholic priest says has legal aid for Tareq Aziz," *Reuters News*, Dec. 12, 2004; "Italian papers sees Iraqi deputy prime minister's visit to Rome as 'hit,'" *BBC Monitoring Europe*, Feb. 16, 2003; "Papal envoy meets northern Iraqi Christians ahead of audience with Saddam," *Agence France-Presse*, Feb. 13, 2003; Richard Owen, "Vatican rolls out red carpet for Christian Aziz – Iraq Crisis," *The Times*, Feb. 13, 2003, p. 17.

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introduced Mr. Bionda to Father Benjamin, and the two developed a friendship. In 2001, Father Benjamin asked Mr. Bionda to deliver a letter from Pope John Paul II to Mr. Aziz.<sup>187</sup>

Mr. Bionda admitted that during one of their trips into Iraq in 2001, he persuaded Father Benjamin to “accompany him in soliciting Aziz for an oil allocation.” Father Benjamin also acknowledged that Mr. Bionda had made this request and that he had joined Mr. Bionda in a meeting with Mr. Aziz. However, Father Benjamin stated that he merely told Mr. Aziz that Mr. Bionda was a “good man.” An Iraqi official involved in allocations at the time confirmed that Father Benjamin did not request an oil allocation. Ministry of Oil records show that, following this meeting with Mr. Aziz, an allocation of two million barrels was granted in Father Benjamin’s name and sold by Mr. Bionda. Father Benjamin and Mr. Bionda denied that Mr. Bionda promised money to Father Benjamin in exchange for this allocation of oil. Mr. Bionda stated that Father Benjamin did not want anything to do with the oil.<sup>188</sup>

## 2. The Oil Contract and Surcharge Payment

Mr. Bionda stated that Father Benjamin called him one morning in September 2001 to inform him that the oil allocation had been approved for Zyrya Management Services. To finance, lift, and trade the oil, Mr. Bionda negotiated an arrangement with Ben Pollner and Amr Bibi of the Taurus Group in London. They agreed on a premium of \$0.40 per barrel. Mr. Bionda signed the contract using his own company, Zyrya Management Services. Taurus financed the letter of credit issued in the name of Zyrya Management Services, arranged for the lifting of the oil, and instructed Mr. Bionda to inform SOMO of the name of the vessel that had been chartered. Bank records show that, between December 2001 and March 2002, Taurus made three wire transfers totaling approximately \$811,886 to Mr. Bionda. Taurus is discussed below in Section VI.C.<sup>189</sup>

Ministry of Oil records reflect that a surcharge totaling \$616,375 was imposed on the oil lifted through Taurus. This surcharge was paid in two separate transactions. Bank records indicate that the first payment of approximately \$60,000 was transferred from a bank account associated with Taurus to a SOMO bank account. Ministry of Oil records show the wire transfer was applied to the surcharges owed on contract M/10/80. Bank records show that, on January 21, 2002, the \$556,414.80 in remaining surcharges was transferred out of Mr. Bionda’s bank account at the Jordan National Bank. On that same day, records show a \$556,414.80 deposit into a SOMO account at Jordan National Bank, which referenced Alain Bionda as the source of the deposit. Ministry of Oil records show that the money was used to satisfy the surcharge balance on contract

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<sup>187</sup> Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Jean-Marie Benjamin interview (Jan. 21, 2005).

<sup>188</sup> Tariq Aziz interview (Aug. 16, 2005); Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Jean-Marie Benjamin interview (Jan. 21, 2005); SOMO oil allocation table for Phase X (Aug. 4, 2001) (translated from Arabic); see also Alain Bionda written statement (Dec. 15, 2004); Committee oil beneficiary and company table, contract no. M/10/80.

<sup>189</sup> *Ibid.*; Alain Bionda interviews (Dec. 13-14, 2004 and Sept. 16, 2005); Confidential document.


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#### Q. RESPONSE BY ROBERTO FORMIGONI

21-OTT-05 12:53 Da-	T-559 P.01/01 F-558
<b>Regione Lombardia</b>	
Giunta Regionale Il Presidente	
Milan, October 21st, 2005	
Dear Sir,	
with reference to your letter of last October 17, 2005 I wish to inform you that I don't find myself by no means in what you write in the fourteen lines of such letter that are quoted below:	
<i>"Iraqi Oil Ministry records from the State Oil Marketing Organization ("SOMO") reflect that from Phase III through XIII of the Programme, oil allocations were issued in the name of Roberto Formigoni, and that these allocations were lifted and sold by Costieri Genovese Petroliera ("CO.GE.P"). Tarek Aziz confirmed that Mr. Formigoni received oil allocations. In approximately 1998, Roberto Formigoni, President of Lombardy, met with a number of Iraqi officials in Rome and mentioned two Italian oil companies with an interest in doing business in Iraq. Costieri Genovese Petroliera ("CO.GE.P") and NGR Oils S.r.l.. Thereafter, a Lombardy Region consultant, Marco Mazarino De Petro, faxed to Tariq Aziz a letter noting this meeting under Mr. Formigoni's name - though signed by another person. Through the Programme, Mr. De Petro and CO.GE.P proceeded use the allocations to buy oil from Iraq under the Programme, and Mr. De Petro received over \$700,000 from the sale of this oil."</i>	
I especially inform you that I never received oil allocations from Iraq. Therefore whoever maintains that I got them says something that is definitely untrue.	
Your sincerely,	
 (Roberto Formigoni)	
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To: Mr. Reid Morden Executive Director Independent Inquiry Committee	
Cc: Mr. Paul Volcker Chairman Independent Inquiry Committee NEW YORK	