

1.0 THE BTC PROJECT

1.1 Project synopsis

1.1.1 The pipeline project

The Baku-Tbilisi-Ceyhan (BTC) pipeline will be a dedicated pipeline system to transport crude oil from the Sangachal Terminal near Baku in Azerbaijan, through Georgia to a new marine terminal at Ceyhan on the Mediterranean coast of Turkey. Tankers will then ship the oil to international markets. When the pipeline becomes operational it will be able to carry up to one million barrels per day (bpd) – the equivalent of 50 million tonnes per annum. The 1,760km pipeline is due to become operational in early 2005.

The BTC pipeline is a project of regional significance, as it will create much needed export capacity for the land-locked Caspian Sea oil fields. It also represents the first direct export route for Caspian Sea oil which avoids transport by sea through the Turkish Straits. The primary purpose of the pipeline will be to transport production from the new Azeri-Chirag-Gunashli (ACG) oil field lying offshore Azerbaijan, that has forecast reserves of 5.2 billion barrels.

Figure 1.1: Proposed pipeline route



*ACG Production Sharing Agreement Contract Area (indicative)

The pipeline route passes through Azerbaijan for 442km, Georgia for 248km and Turkey for 1,070km, as illustrated in Figure 1.1. The pipeline will be constructed and operated to international standards, will be buried for its entire length and has been routed to ensure that no community, or single household, will need to be re-settled.

The project has a design life of 40 years and is due to be commissioned at the end of 2004.

1.1.2 Why build a pipeline?

The countries of the Caspian region face severe economic problems including inadequate infrastructure and high levels of poverty. It is imperative for their developing economies that outlets to international markets are found for the abundant oil and gas reserves of the Caspian Sea.

Until now, countries such as Azerbaijan, which have oil reserves that far exceed their domestic requirements, have had to rely on a combination of pipelines, rail and shipping to export oil to world markets. A large percentage of these exports passes through the narrow and congested Turkish Straits, posing an increasing environmental and public safety risk to the city of Istanbul and surrounding areas.

The BTC pipeline offers a commercially viable and inherently safer means of transporting oil over large distances than existing infrastructure and facilities, as well as providing a means of relieving the growth of oil transportation through the Turkish Straits. Azerbaijan will derive substantial economic benefits through the generation of royalty and tax revenues, while Georgia and Turkey will derive important financial gains through transit fees.

These revenues, coupled with the indirect benefits associated with the purchase of local goods and services, employment, and specific programmes designed to encourage the development of small and medium-sized enterprises, have the potential to contribute to economic stability and development within each country, as well as promote regional integration and interdependence.

In addition to the BTC pipeline project, the South Caucasus Pipeline (SCP) is being planned to transport up to 7.3 billion cubic metres of gas per year from the Shah Deniz field offshore Azerbaijan. The SCP will take gas from the Sangachal Terminal, through Azerbaijan and Georgia to the Georgian/Turkish border, for onward distribution to Turkish customers via the national grid. The SCP will be constructed parallel to the BTC pipeline through Azerbaijan and Georgia. The SCP project, while sharing many similar features with BTC, has a different ownership structure, is operating to a different timetable, and will be subject to separate approval processes.

1.2 Equity participation in the project

The BTC project is a world-scale investment, supported by the governments of Azerbaijan, Georgia and Turkey, and backed by an international consortium of oil companies. The recently formed BTC Pipeline Company (BTC Co) is responsible for the construction and operation of the whole pipeline. There are currently 11 participating companies, representing nine countries, and led by BP who will be the pipeline operator. BOTAŞ, the state petroleum pipeline company of Turkey, is contracted to BTC Co to construct and operate the line in Turkey under a Lump Sum Turnkey Agreement (LSTK).

BP and the State Oil Company of the Azerbaijan Republic (SOCAR) have the largest shareholdings in BTC Co, and between them hold 55% of the equity (Table 1.1).

Table 1.1: Equity participation in the BTC Pipeline Company (BTC Co)

Equity Participant	Country	% of equity
BP (Operator)	UK	30.1
SOCAR	Azerbaijan	25.0
Unocal	USA	8.9
Statoil	Norway	8.71
Turkiye Petrolleri (TPAO)	Turkey	6.53
TotalFinaElf	France	5.0
Agip	Italy	5.0
Itochu	Japan	3.4
ConocoPhillips	USA	2.5
INPEX	Japan	2.5
Delta Hess	Saudi Arabia	2.36

1.3 Purpose and structure of this document

The purpose of this overview is to summarise, within a single document, all of the actions that have been taken and are planned, in relation to the environmental, land, community and social issues faced by the pipeline project. These issues have been addressed in a systematic way that conforms with internationally recognised best practice and also the formal requirements of the national governments concerned and the lending institutions. This is an ongoing process that began with the initial concept for the project, is proceeding through planning, construction and operation of the pipeline and will only finish when the pipeline is decommissioned at the end of its operational life.

The core technique that has been used to ensure that any adverse environmental or social impacts arising from pipeline construction and operation are identified and addressed, has been the preparation of three detailed Environmental and Social Impact Assessments (ESIAs), one for each of the countries traversed by the pipeline.

A wide range of other studies and initiatives have also been taken, some of which are linked with the ESIA process, but others which represent additional activities. It is not intended that this document describes in detail all of the findings and actions relevant to each country, (references have been provided at the end of each section to assist those readers who wish to have more detail, or to access the source documents). Rather, the aim is to give a coherent overview of the key issues, impacts and management actions associated with the environmental and social management of the project. A summary of the key project documents that have been used to prepare this overview is given in Table 1.2. A more detailed list of the environmental and social documentation associated with the project is given in Addendum 1.

The document is structured as follows:

Section 1: A synopsis of the BTC project.

- Section 2: A description of the purpose and anticipated economic and social benefits of the project.
- Section 3: The fundamental environmental and social challenges associated with exporting oil from the Caspian to world markets.
- Section 4: The alternative options that have been considered for delivering the project objectives and benefits, including a brief description of the selected option.
- Section 5: The main environmental, land, community and social issues that are particular to the selected project option.
- Section 6: The steps that BTC Co has taken to understand and manage the issues. The action planned for each stage of the project, including dialogue with stakeholders.
- Section 7: The Environmental and Community Investment Programmes, that are being developed to ensure that the positive benefits of the project are maximised for the countries crossed by the pipeline and the communities they contain.
- Section 8: The anticipated outcomes of the project in terms of impacts, risks and uncertainties and benefits.

Table 1.2: A summary of key project documents

Category	Documents	Source/purpose
OVERVIEW	I* Environmental and Social Overview	This document. A summary of all of the actions that have been taken and are planned, in relation to the environmental, land, community and social issues faced by the pipeline project.
CORE ASSESSMENT OF PROJECT IMPACTS	II Environmental and Social Impact Assessment (ESIA) NonTechnical Executive Summaries	Summary of each ESIA produced in plain language to assist local communities understand the findings of the ESIA's
	III Environmental and Social Impact Assessments (ESIAs)	Prepared by independent national and international consultants, separately for each country. Approved by national governments in 2002 after a 60-day disclosure process
	Environmental Risk Assessments	Detailed assessment of potential oil spill scenarios for each country.
	Framework Oil Spill Response Plans	Country-specific responses to the issues raised by the ERAs
RESPONSE TO COMMENTS	IV ESIA Addenda	Prepared in response to comments received during the 60-day ESIA disclosure period, including comments from the national governments
	V Supplementary Lender Information Packs (SLIPs)	Detailed response to comments regarding the ESIA's received from potential lending institutions
	V(A) Routing Report	A detailed review of pipeline routing decisions for Georgia

Table 1.2: A summary of key project documents (continued)

Category	Documents	Source/purpose
ON-GOING MANAGEMENT AND CONSULTATION ACTIVITIES	VI Public Consultation and Disclosure Plans (PCDPs)	Set out, for each country, the programme for consultation and information disclosure that will occur during the planning, construction and implementation phases of the project.
	VII Resettlement Action Plans (RAPs)	Describe the framework and procedures that are being followed in each country to address land acquisition, compensation and measures for restoration of livelihood for populations affected by construction of the pipeline.
	VIII Regional Review	Prepared by the project sponsors as a means of communicating the project's goals and stimulating discussion on the broader environmental, social and economic issues raised by the project
	IX Environmental and Social Action Plan (ESAP) Incorporates a range of subsidiary documents including: - Commitments Registers - Environmental Standards - Contractor Control Plans - BTC Management Plans - BOTAS Management Plans	Describes the framework for the environmental and social action plans and policies of BTC Co. Outlines the construction and operations phase Environmental and Social Management Systems.
LEGAL FRAMEWORK	Intergovernmental Agreement (IGA)	A treaty between the governments of Azerbaijan, Georgia and Turkey agreeing to construct the pipeline and the framework for issues such as revenue sharing
	Host Government Agreements (HGAs)	Private law contracts signed between BTC Co and each of the host governments. Establish the overall regulatory framework within which the pipeline will be constructed and operated in each country.

*Note: I – IX refer to documents that are subject to Public Disclosure via the World Bank InfoShop

Further information

- The project's website www.caspiandevlopmentandexport.com has been established to serve as a focal point for project information. All of the key source documents, including the ESIA's can be accessed via this site.