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Baku-Tbilisi-Ceyhan and Baku-Tbilisi- Erzerum transborder pipeline projects

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Baku-Tbilisi-Erzerum (SCP) pipeline projects

BTC and SCP: Project facts

Baku-Tblisi-Ceyhan (BTC)

- 1,768 km oil pipeline from Baku to Ceyhan across Azerbaijan Georgia Turkey
- capacity -one million barrels/day, can be expanded
- Serves ACG PSA participants, investors from the Northern Caspian are also planning it's usage
- Integrated single pipeline company - BTC Company

South Caucasus Pipeline (SCP)

- 690 km gas pipeline from Baku to Georgian-Turkish border connected with Erzerum and beyond through BOTAS owned pipeline in Turkey
- design capacity -20 bcm/ annum, expansion is planned
- Serves Shah-Deniz PSA participants, expected to serve other Caspian fields
- Integrated single pipeline company - SCP Company

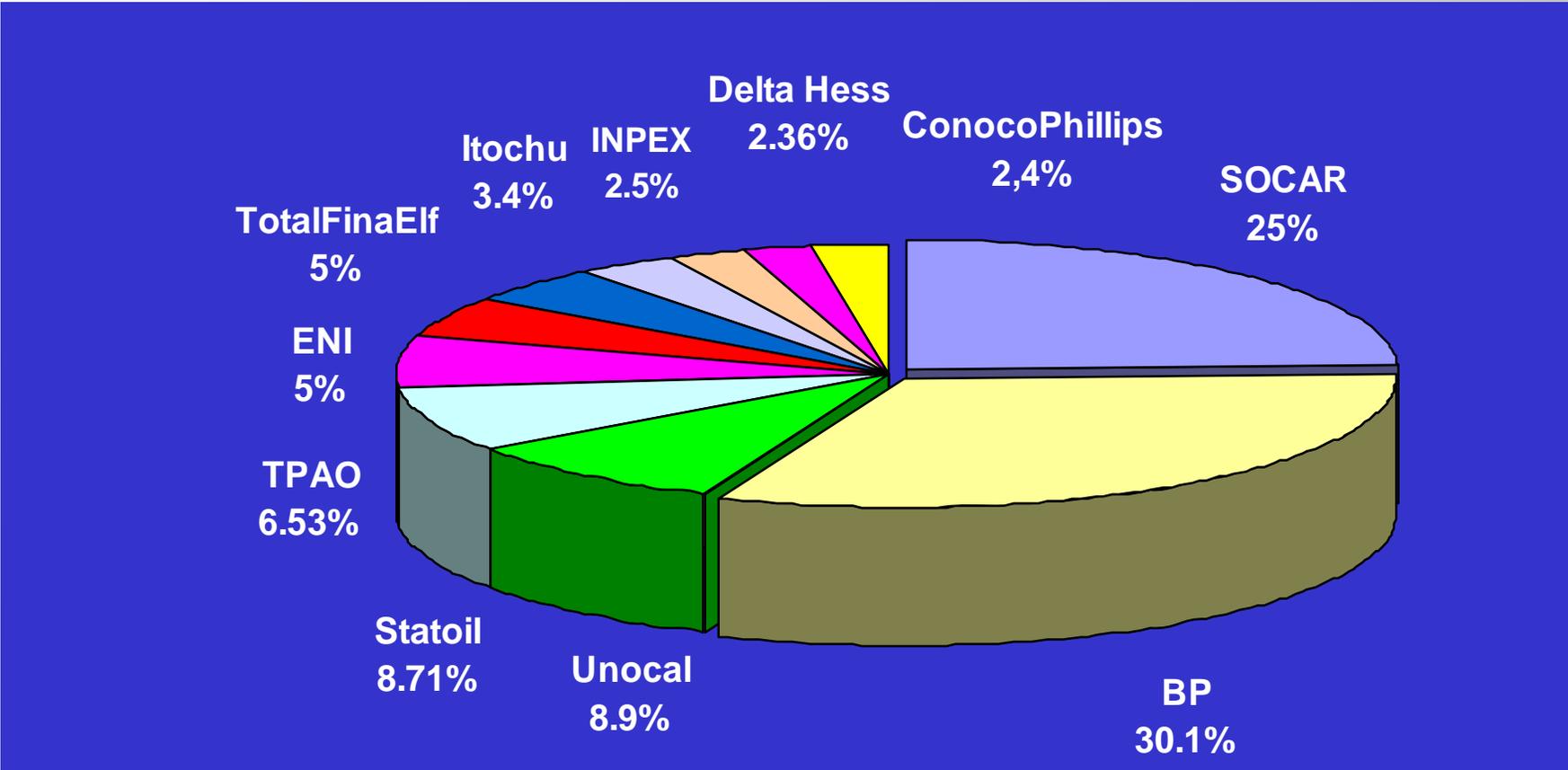
EAST-WEST ENERGY CORRIDOR



On 18 September 2002, the groundbreaking ceremony for BTC Pipeline took place in Sangachal, Azerbaijan, with the participation of Presidents of Georgia, Turkey, and Azerbaijan – HEs Eduard Shevardnadze, Ahmed Sezer and Heidar Aliyev.

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BTC Owner Group; multiple ownership is not a problem when a single company is created



**Conflicting interests exist in any
transborder project**

Win-win solutions are necessary

**Past experience reflected in model
agreements can help**

State will not interrupt Project Activities !!!

It only may if: State has reasonable grounds to fear otherwise unavoidable danger or hazard to public health and safety, property or the environment.

And such interruption should be limited to extent and duration necessary to remove such danger or hazard

The Model Agreements
package = IGA + HGA
serves to keep all parties
happy by reducing the risks
and thus moderating the
financing costs and return
requirements.

How is this possible?

e.g. Host Government waiver of immunity:

- Immunity from jurisdiction
- Immunity from execution

Consequently: no temptation of expropriation and care for possible damages

How is this possible?

e.g. Security provisions

Each State shall endeavour to ensure the security of the personnel associated with Project Activities and of the Project Facilities, in each case to the extent located within its Territory.

How is this possible?

e.g. Joint Commission

- 2 representatives of each State
- 2 observers from each Project Investor
- obligation to endeavour to settle disputes through the Joint Commission

**What
else?**

**Identifying the common
technical and environmental
impact assessment standards**

**Standards adopted by
multilaterals are helpful**

What else?

- **Contract Clarity**
- **Knowing the Contract and using it as management tool**

