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

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East-West Energy Corridor. Oil pipelines paved a way for Caspian Gas to Europe

Picture from CB&I John Brown Limited
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
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.
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
AGREEMENT

Among

Georgia, The Azerbaijan Republic and the Republic of Turkey

Relating To The Transportation Of Hydrocarbons Petroleum Via the Territories of the Azerbaijan Republic, Georgia and the Republic of Turkey Through the Baku-Tbilisi-Ceyhan Main Export Pipeline

Georgia, the Azerbaijan Republic, and the Republic of Turkey (together the "States" or individually a "State") represented by their respective Governments;

In recognition of the desire, readiness and willingness of each State to establish the framework to attract, promote and protect investment by foreign and domestic investors in Petroleum Hydrocarbon transportation projects in and/or across its Territory; and

In furtherance of the principles set forth in international trade and investment agreements to which each State is a party, signatory or applicant, as well as the Energy Charter Treaty 1994, and the need to further expand and implement cooperation between and among the States in the energy sector; and

In recognition of the desire of each State to ensure principles of freedom of the free transit of Hydrocarbons Petroleum and to provide for absolute and exclusive rights to land and Hydrocarbon Petroleum transportation infrastructure in and/or across the Territory of the others; and to protect its environment; and