



bp

Azerbaijan Strategic Performance Unit

Presentation

March 2008

Azerbaijan Country Context



- **Area** 86,600 km²
- **Population** 8.5 million

Strengths:

Commitment to macroeconomic stability:

- stable exchange rate
- low external debt

Promising future for oil and gas sectors

Strong adherence to PSAs, State Oil Fund established

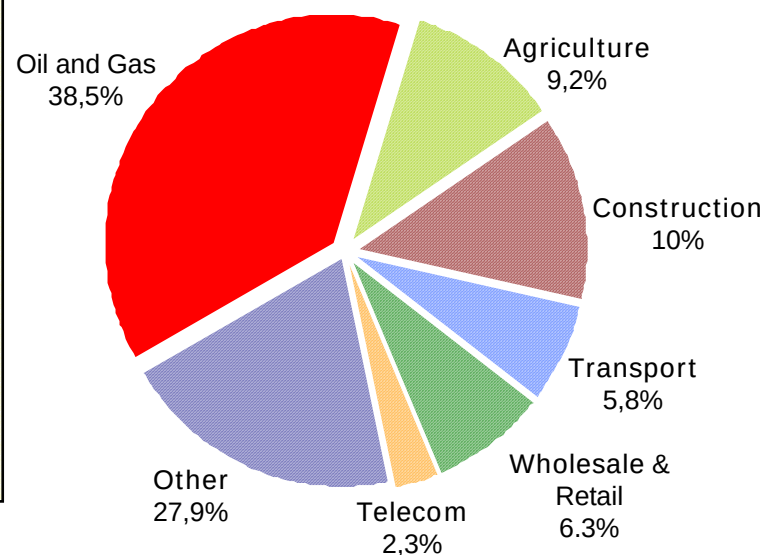
Continued development of democratic institutions



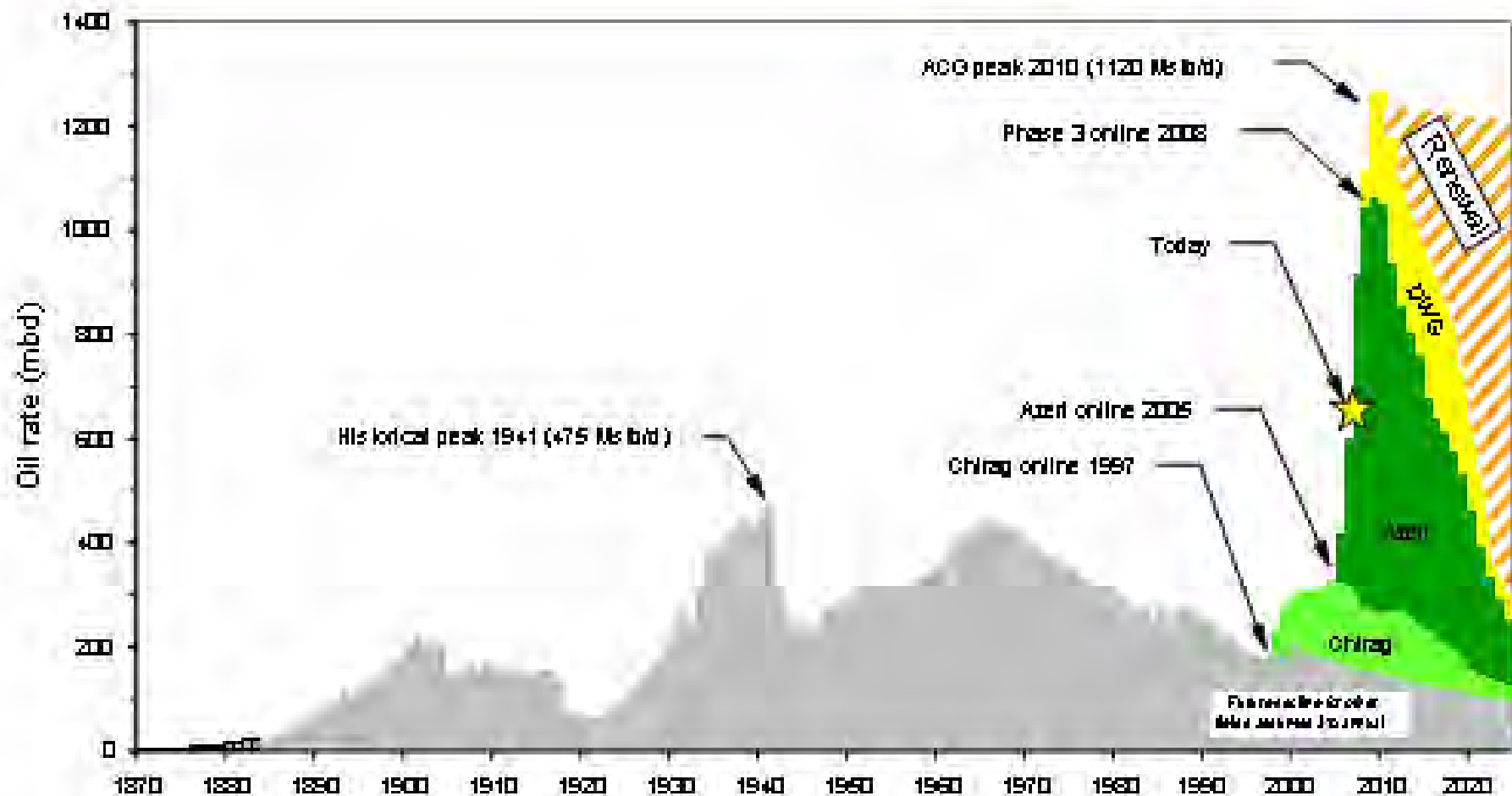
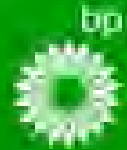
Oil history – Famous Azerbaijan Oil Firsts:

- First oil well in the world was drilled (not dug by hand) in 1848 in Baku in Bibi Heybat oil field
- In 1900 Azerbaijan produced more than 50 % of world's oil = 11.4 million tons
- In 1897-1907 the 1st largest oil pipeline in the world was built from Baku to Batumi = 883 km x 200mm
- About 80 % of oil production during 2nd world war in former USSR was made in Baku (peak production – 23,5 million tons in 1941)
- First offshore oil production in the world started in Azerbaijan (1924 – Bibi Heybat beach, 1947 – Oily Rocks - in open sea)

GDP by Origin, % of Total



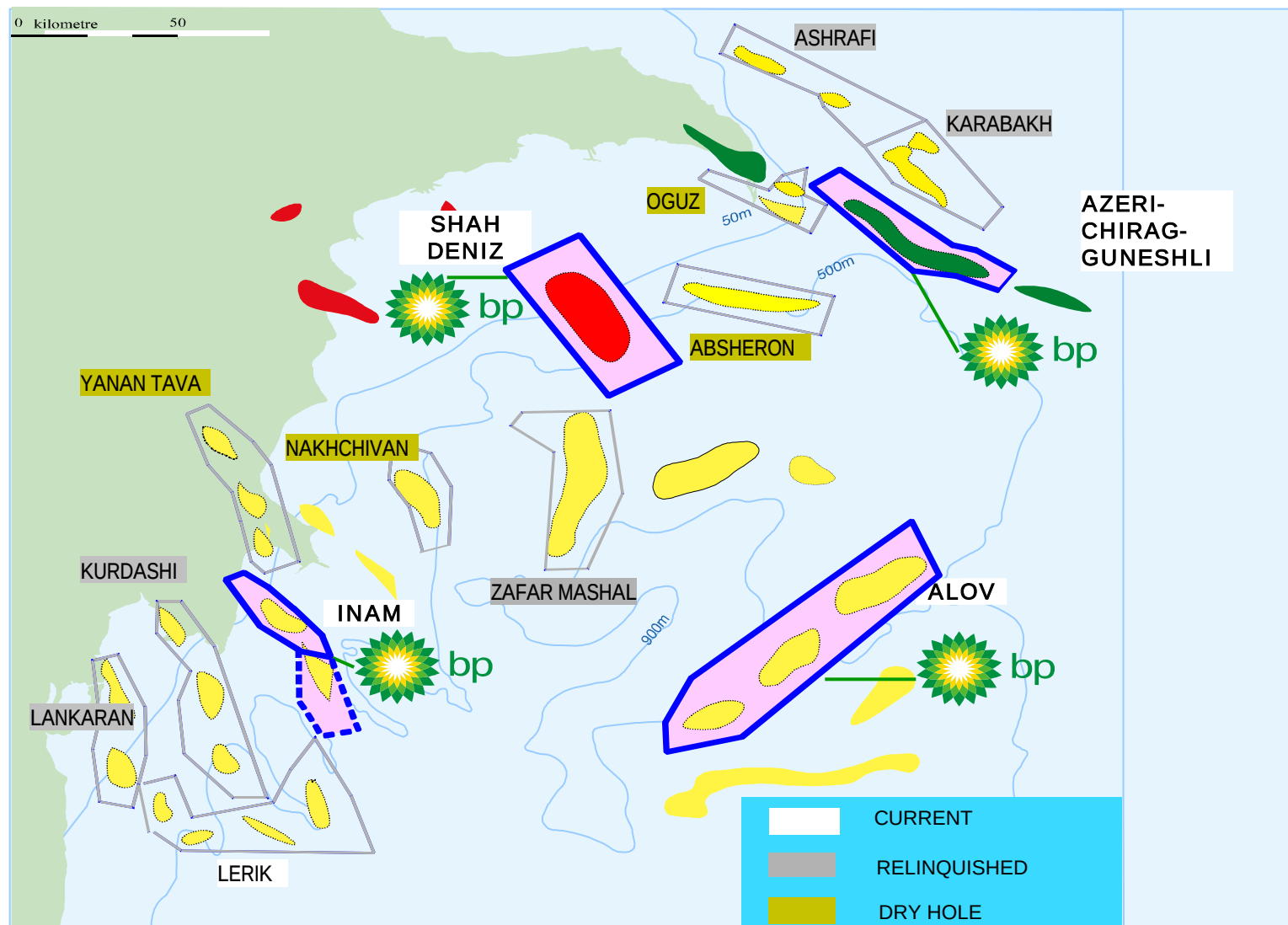
150 years of hydrocarbon production



Azerbaijan Offshore PSAs



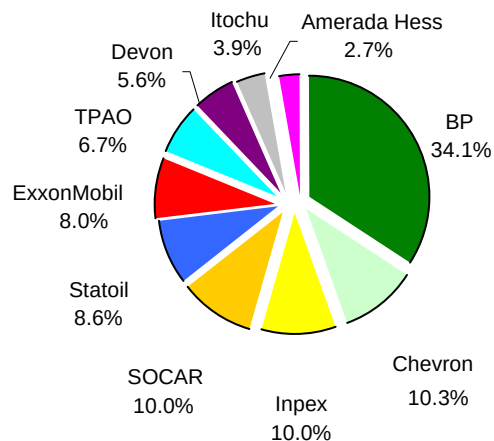
- 15 offshore PSAs signed since 1994
- 16 exploration wells drilled during 1998-2004:
 - 3 dry holes
 - 5 oil and gas shows
 - 7 non-commercial oil and gas
 - 1 commercial gas discovery (Shah Deniz)



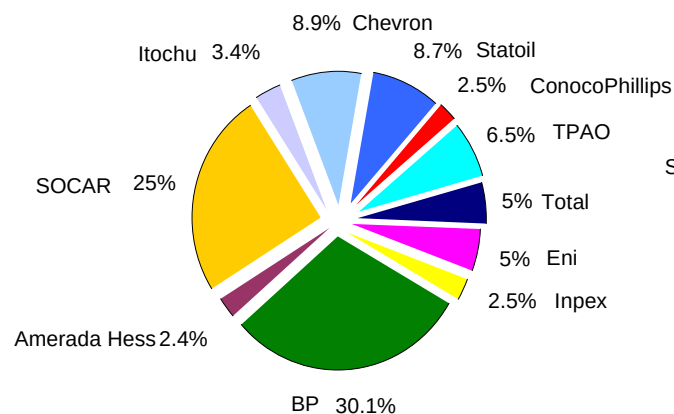
BP and Partners Interests in Azerbaijan Projects



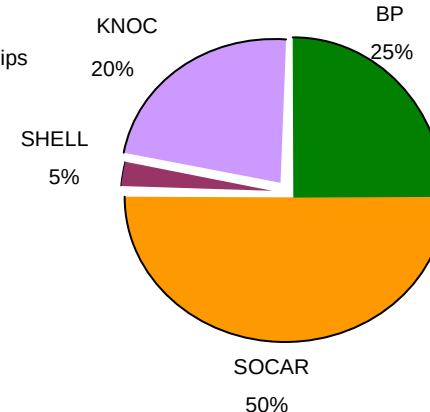
ACG



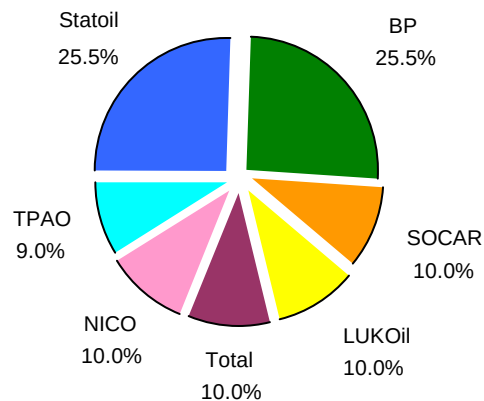
BTC



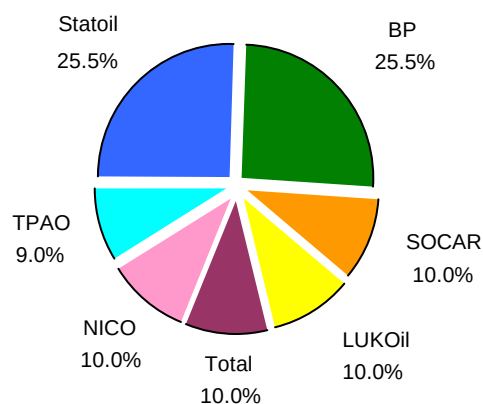
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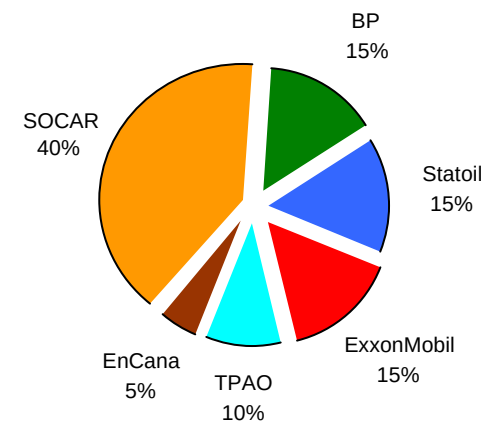
Shah Deniz



SCPC



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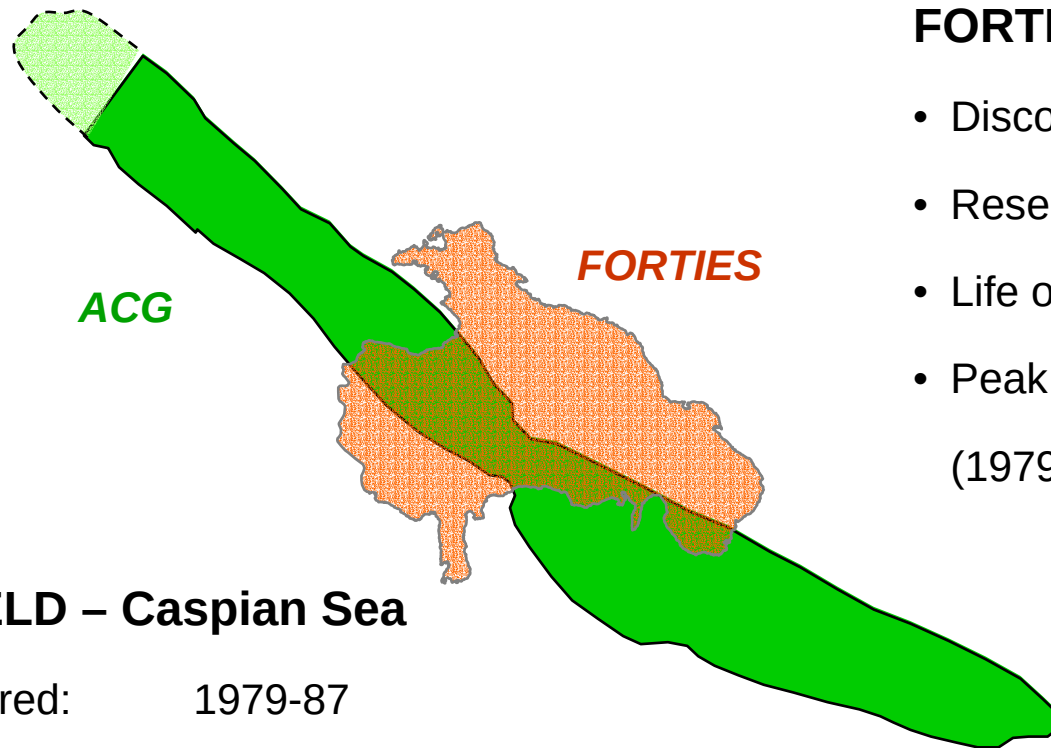


ACG Early Oil Project

First oil	Nov 1997
2007 production forecast	160 mbd gross
2006 Lifting and transportation cost	~\$2.55/bbl
Total investment	~\$2.2bn



Azeri-Chirag-Gunashli – Twice as Big as Forties



FORTIES FIELD – North Sea

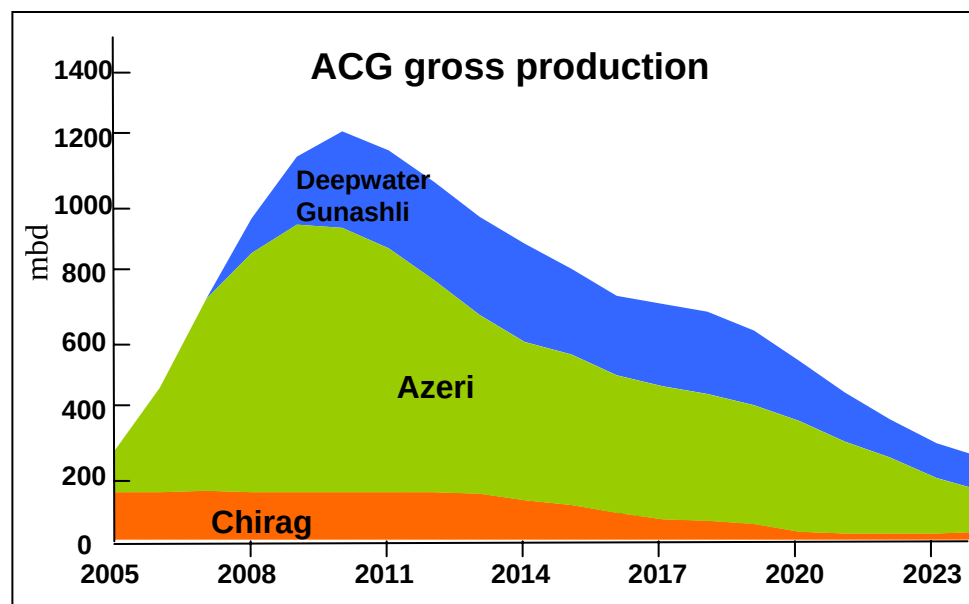
- Discovered: 1970
- Reserves: 2.6 bn bbl
- Life of Field: 40 years
- Peak production: ~500mbd (1979)

ACG FIELD – Caspian Sea

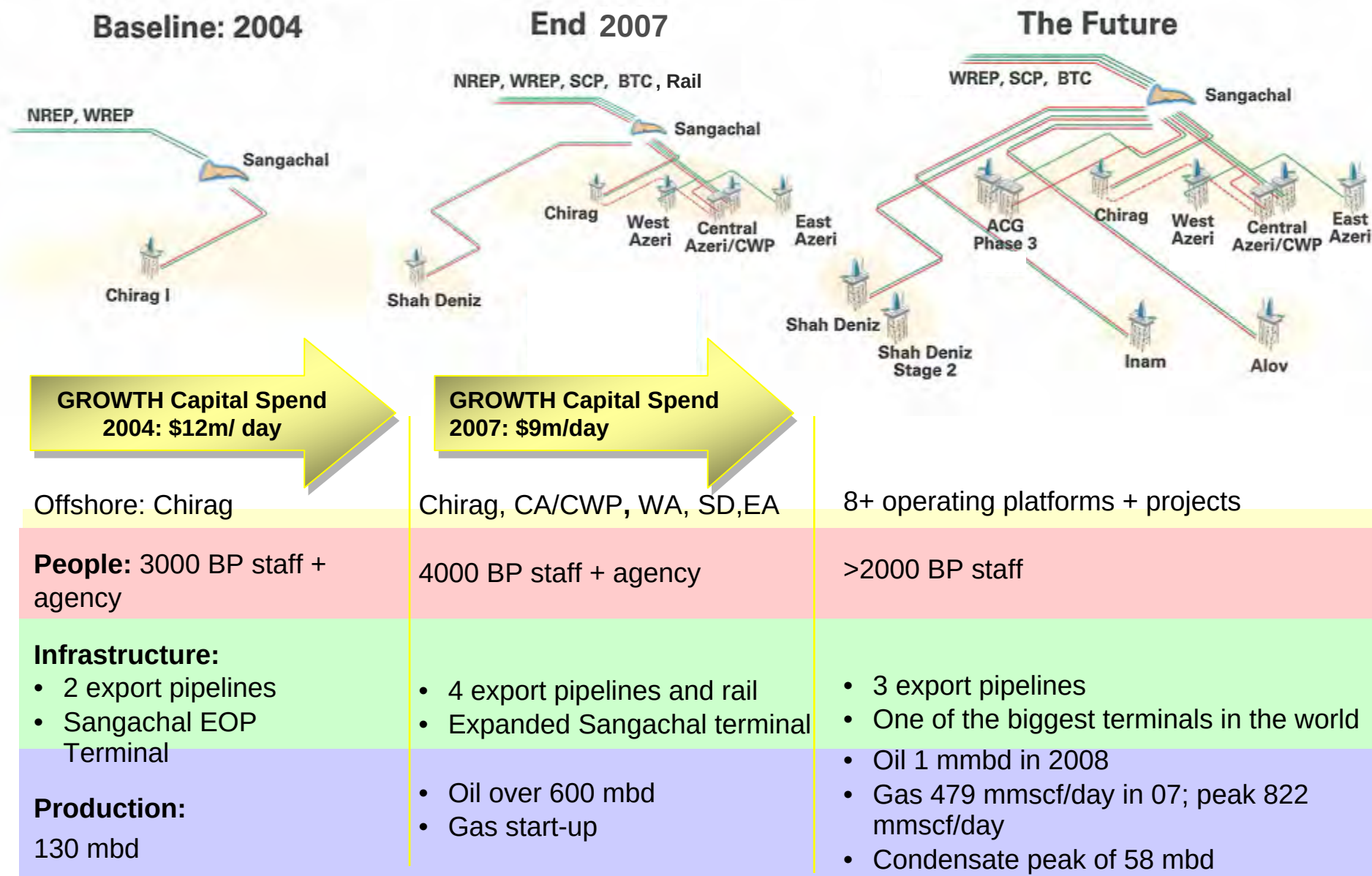
- Discovered: 1979-87
- Reserves: ~5.4 bn bbl
- Life of Field: >30 years
- Peak production: ~1.1mmbd (2009)

ACG Full Field Development

- Reserves 5.4 bn bbl gross
- Peak production > 1 mmbd gross
- Total capital cost ~\$20 bn gross
- 2007 production forecast 686 mbd
- Project start-up dates:
 - Central Azeri Feb 2005
 - West Azeri Dec 2005
 - Gas injection May 2006
 - East Azeri Oct 2006
 - Phase 3 (DWG) 2Q 2008



BP Azerbaijan Vision



Istanbul- the big issue behind BTC



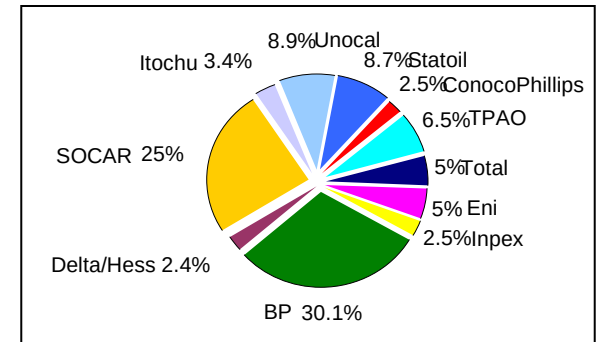
- Oil volumes shipped through Bosphorus increasing every year (*pipeline oil would have increased volume by 50%*)
- Oil tanker traffic increasing as a percentage of total transits through Bosphorus

BTC - Scope and Scale



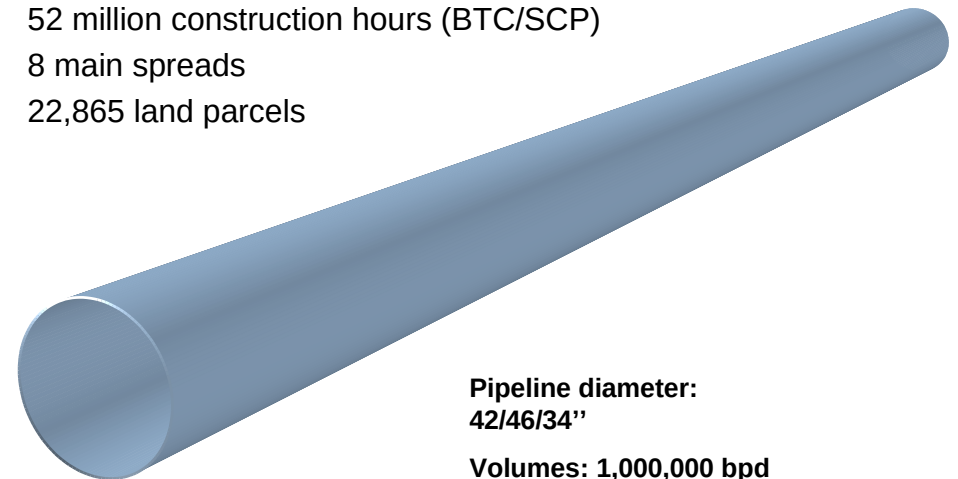
Key Facts

- 1768km length
- 2800m max elevation
- 8 Pump Stations @ 130 MW
- 1 Terminal with Offshore Jetty
- \$3,9 billion ready 1H2006
- 52 million construction hours (BTC/SCP)
- 8 main spreads
- 22,865 land parcels



Project Framework

- Intergovernmental Agreement (Az/Geo/Turkey/US)
- Host Government Agreements (Az/Geo/Turkey)
- BTC = 11 International Partners
- Financing by IFC/EBRD/ECAs
- In operation Region Development Initiative
- 1,000,000 bpd (365 tankers per annum) avoiding the Turkish Straits



Pipeline diameter:
42/46/34"

Volumes: 1,000,000 bpd

Pressure: 100 bar

BTC – The Project



- ACG/BTC currently one of the world's largest energy project

- BTC to supply 1 million b/d of oil ~ 1.5% of world oil supplies

- BTC to supply 25% of world's new oil demand growth in 2007-2008

- BTC provides incremental non-Persian Gulf/non-Russian oil supplies and adds to global supply diversity

- BTC has has insignificant impact upon world carbon emissions

- 1768 km in length crossing three countries

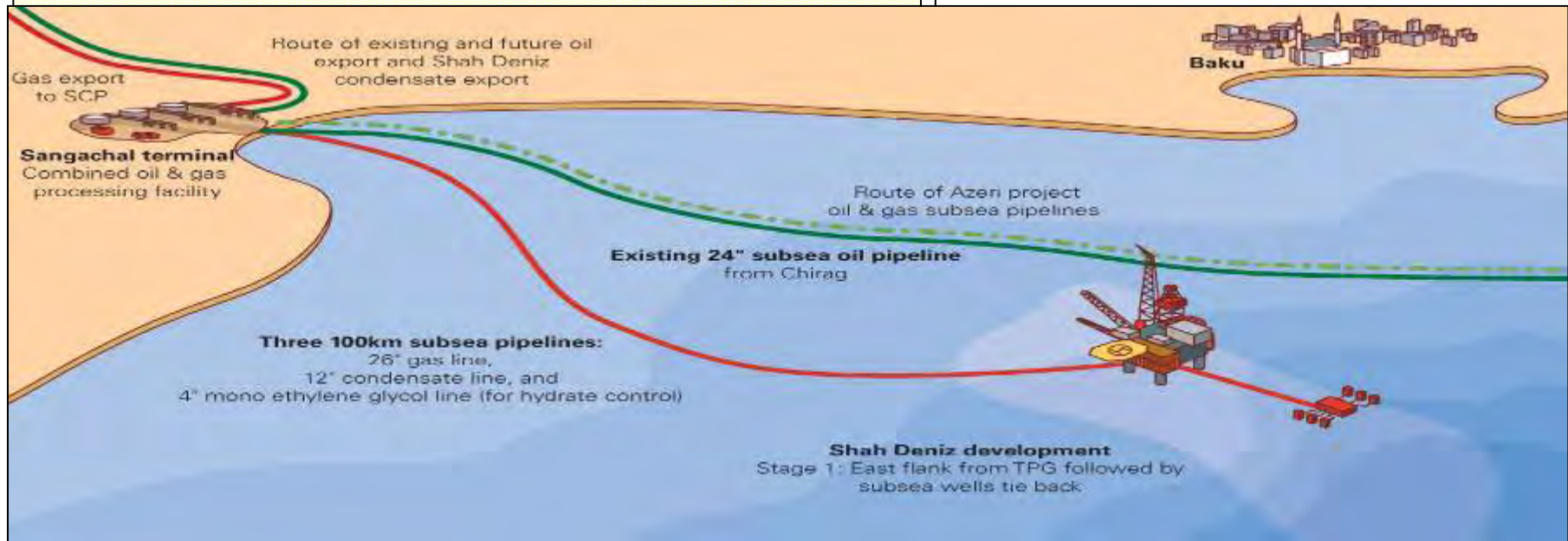
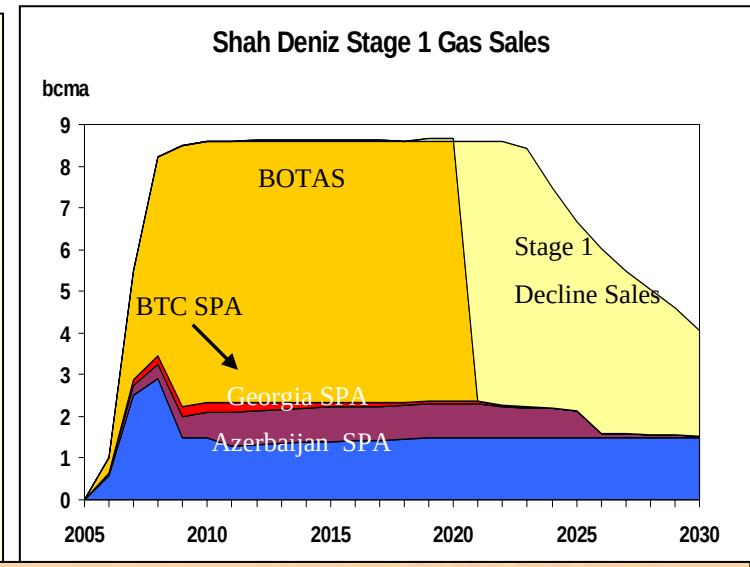
- Regional integrator



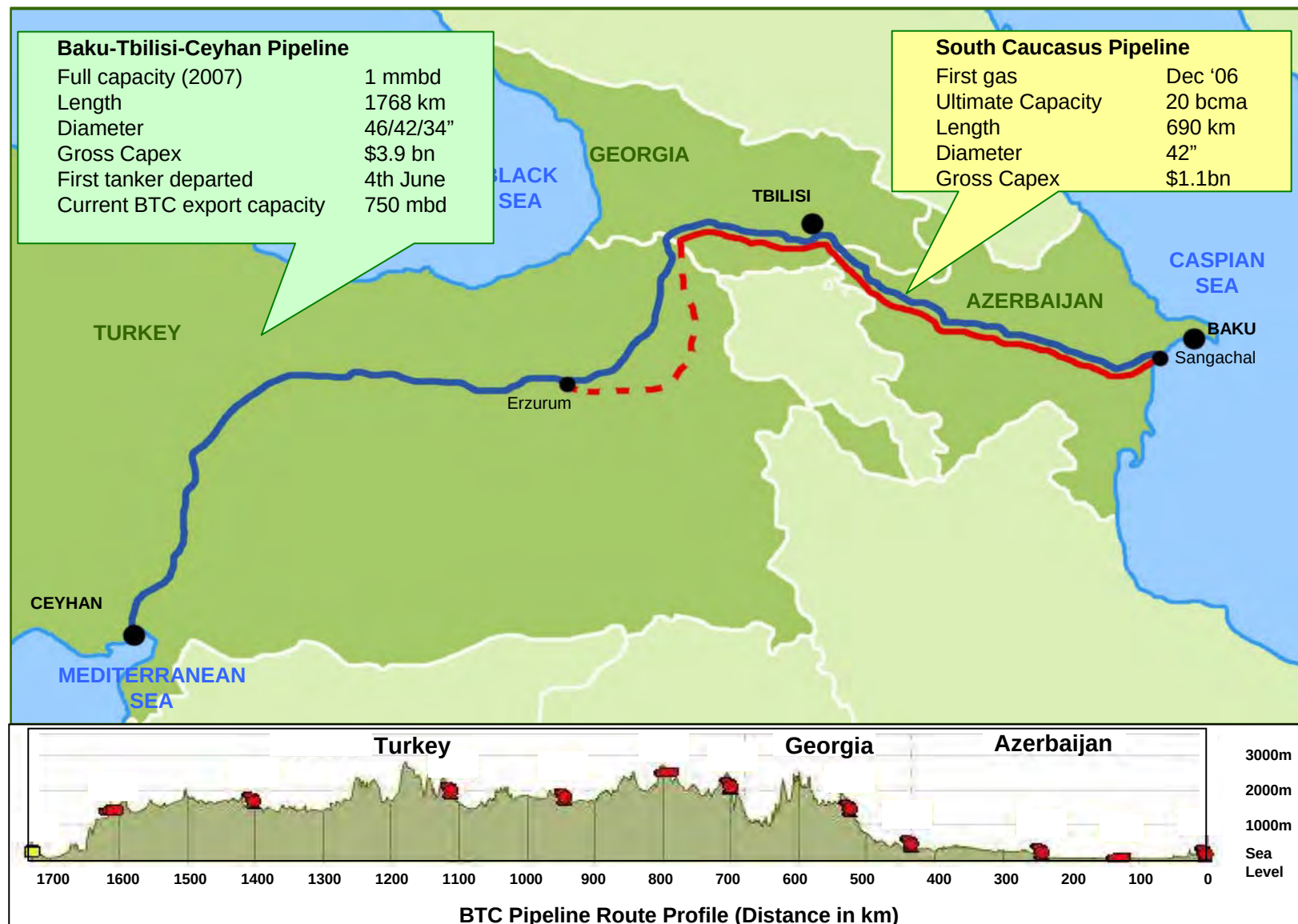
Shah Deniz



- Reserves (total) ~15 tcf of gas
~600 mmbbl of condensate
- Stage 1 peak production 142 mboed
- Total capital cost >\$4bn
- 2007 production forecast 65 mboed
- Project start-up dates :
 - TPG 500 platform installed: April 2006
 - First gas: Dec 2006
 - First gas to Georgia: Jan 2007
 - First gas to Turkey: Jul 2007



Azerbaijan, Georgia, Turkey Pipelines Project



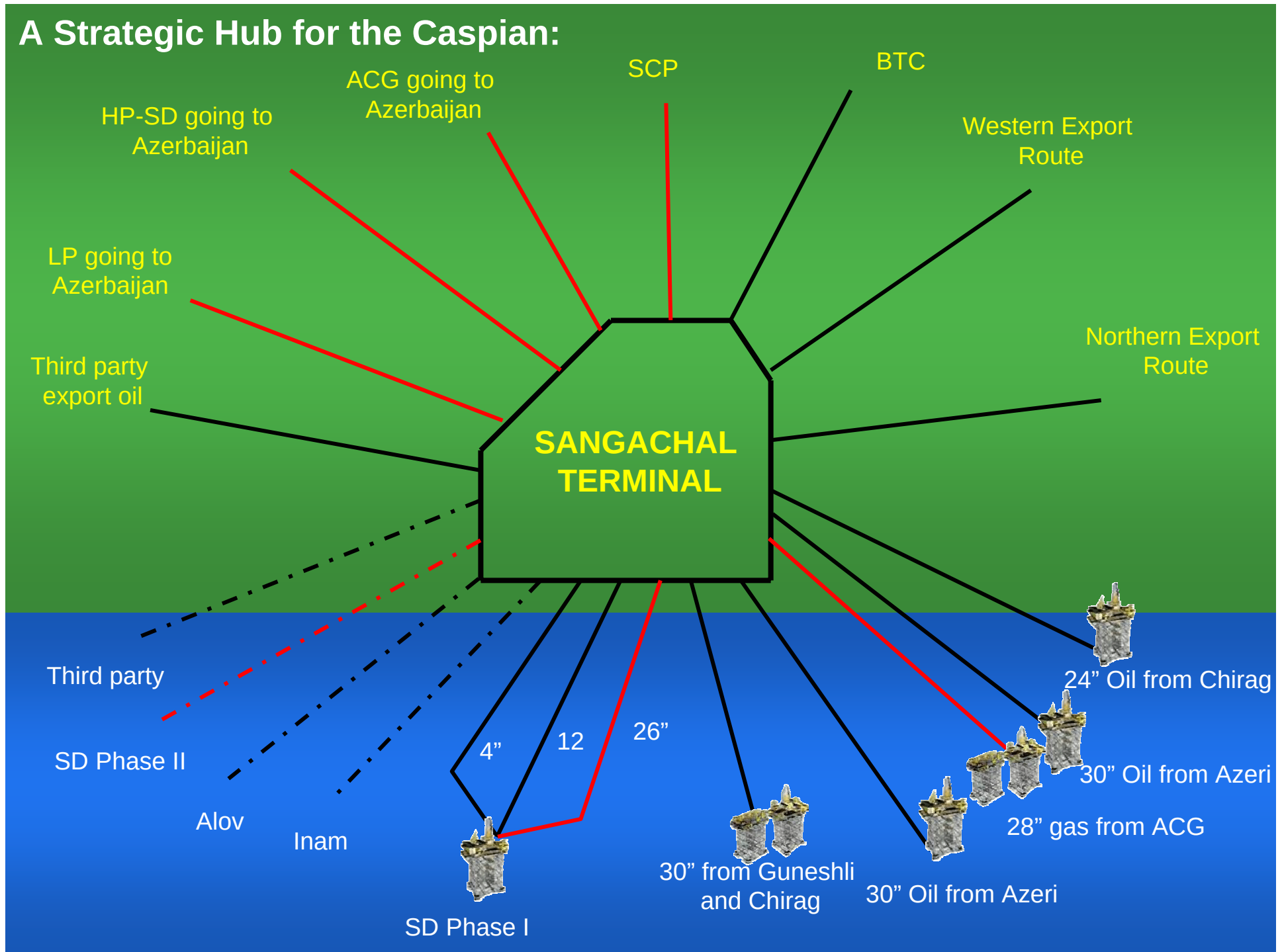
History



Sangachal Terminal 2005



A Strategic Hub for the Caspian:



Community Investment Projects

CIPs contribute to the development of communities through sustainable development initiatives:

- Scholarships – 20 area students receive scholarships. 10 Universities involved
- Computer Basics - 1100 students covered
- Pre-educational training covered 165 students - 102 students admitted to Universities
- Literature Program
- Environmental Education Program



BTC HPS



Shah Deniz



TPG500



Progress on SDX-04



SCP Block Valve Georgia



Sangachal Terminal



Azeri



Central Azeri & C&WP



West Azeri on production



East Azeri on production



Sangachal Terminal



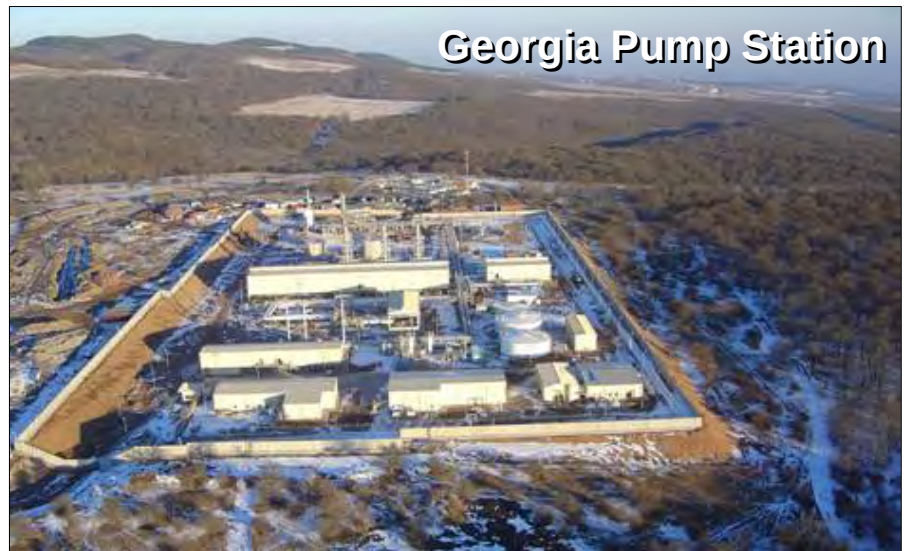
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RoW Reinstatement



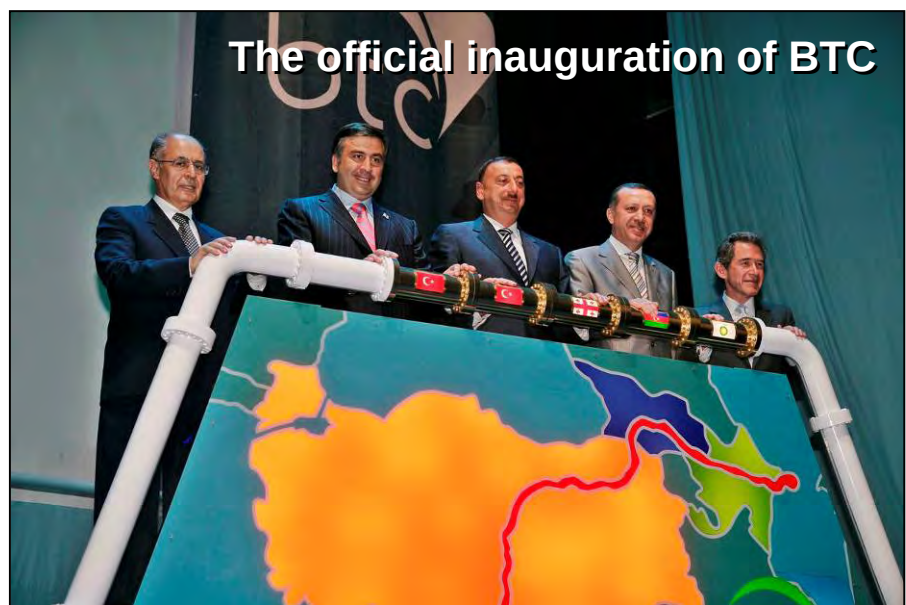
Georgia Pump Station



Ceyhan Marine Terminal



The official inauguration of BTC



First Tanker Loading



4th June 2006: First Tanker Loading at Ceyhan Terminal was successfully completed. *“British Hawthorn”* sailed away with 592,000 barrels on board.



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THANK YOU
AND
SEE YOU NEXT TIME

Presentation

Baku 2008