

BTC Oil Pipeline-Caspian to Mediterranean Seas.

Lessons Learned from the Environmental and Social Impact Assessment and Mitigation Process.

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BTC Pipeline Route AZERBAIJAN - GEORGIA - TURKEY EXISTING: BAKU-TBILISI-CEYHAN (BTC) PIPELINE NREP (Northern Route Export Pipeline) Oil SELECTED CITIES AND AZERI-CHIRAG-DEEPWATER GUNASHLI (ACG) NREP (Transneft owned and operated) NATIONAL CAPITALS PHASE 1 OIL FIELD DEVELOPMENT WREP (Western Route Export Pipeine) Oil INTERNATIONAL BOUNDARIES BTC (Baku-Tbilisi-Ceyhan) Oil MOLDOVA UKRAINE SCP (South Caucasus Pipeline) Gas SCP (Turkish owned and operated) **ROMANIA** RUSSIAN FEDERATION Novorossiysk C **KAZAKHSTAN** Black Sea **BULGARIA** GEORGIA TURKMENISTAN GREECE Istanbul TBILISI Supsa ARMENIA AZERBAIJAN ANKARA Erzurum ACG URKEY Shah Deniz NAKHICHEVAN ISLAMIC REP. Ceyhan 🔿 OF IRAN 36° This map was produced by the Map Design Unit of The World Bank. The boundaries, colors, denominations and any other information shown on this map do not imply, on the part of The World Bank Gloup, any judgment on the legal status of any terminary, or any endomement or acceptance of such boundaries. IRAQ SYRIAN **CYPRUS** KILOMETERS ARAB REP.

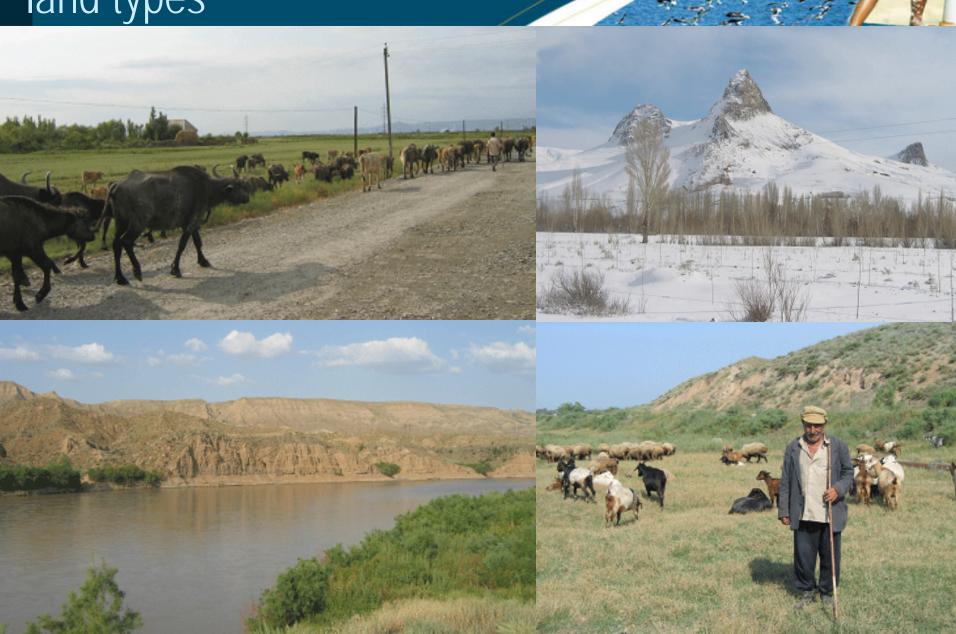


Pipeline Characteristics

- 1760 km in length (Azerbaijan, Georgia, Turkey)
- Capacity: 50 million tonnes crude oil per annum
- Avoids Turkish Straits (Bosphorus)
- Passes through a wide variety of agro-ecological areas, landforms and land use types



Traverses wide variety of land types



Background

- Pipeline will provide first direct transportation link between hydrocarbon rich, land locked Caspian Sea and Mediterranean
- New source of crude oil for global markets
- Will enhance Turkey's strategic significance-hub for energy distribution through Mediterranean
- Will establish 'east-west energy corridor'-already strengthened relations between Azerbaijan, Georgia and Turkey



Project Costs and Funding

- Total project Costs: US\$3.6 billion (including terminals and associated facilities).
- US\$ 1 billion from shareholders
- US\$ 2.6 billion credit by lenders-including IFC and EBRD, export credit agencies (Europe, US and Japan), commercial banks & political risk insurers



Facts about IFC

- Private sector arm of the World Bank Group
- Owned by 176 member countries
- Emerging markets focus
- Provide loans & equity, advisory services and mobilization of capital
- FY03 commitments: \$5.03 billion
- Total IFC portfolio: \$16.78 billion



IFC's Mission

We promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives.





IFC's Role

- ▶ IFC's due diligence commenced in December 2001 (joint mandate signed with EBRD)
- Two years close involvement by IFC staff- environmental, social technical, financial and legal
- IFC's role influenced by previous involvement in Early Oil Project (EOP)-development of Chirag oilfield in Caspian (finance provided in 1998)
- Lessons learned from EOP and other projects applied –including Chad- Cameroon oil export project
- IFC Policies and Guidelines applied



Key Issues

- Severely limited regional routing options-complex environmental, social and political constraints
- Very sensitive issues-including unique flora and fauna habitats, commercially utilized ground water resources
- Complex land tenure systems necessitated complicated land acquisition and compensation program (but no physical displacement)
- Implementation of adequate mitigation measures for various marginalized and vulnerable groups.
- Need for major consultation and disclosure program-300 affected villages.
- Intense scrutiny by stakeholders, press and civil society, including international NGOs



Lessons Learned -Key Areas

- Regional Review
- Environmental and social documentation
- Public consultation and disclosure- transparency
- Engagement with civil society and stakeholders
- Added value: SME linkages, community and environmental investment programs
- Monitoring and evaluation



Lessons Learned: Regional Review / Alternative Routing

- Regional Review-groundbreaking but produced late in process and not used to full potential as discussion tool
- Alternative routing issues and studies (particularly in Georgia) not thoroughly addressed publicly early on
- Required more time and effort later on to demonstrate limited options and to gain acceptance of selected route.





Lessons Learned: ESIA, ESAP & CCPs



- ESIA documentation -46 volumes, 11000 pages.
- Considerable resources spent on ESIA real challenge however was to translate into practical, useable ESAP and ensure project commitments.
- Contractor Control Plans(CCPs) translate mitigation measures and project commitments arising from ESIA into contractor's construction activities.
- CCPs tie construction activities and commitments into the ESAP and loan agreements.
- CCPs serve as key tool to monitor and ensure compliance, provide transparency and assurance to lenders.
- Approach considered best practice.



Lessons Learned: Change Management



- Change Management Process. Lesson learned from Chad Cameroon project.
- Included in ESAP-addresses unforseen circumstances such as chance finds, need for routing changes within R- O – W, additional access roads and borrow pits during construction.



Lessons Learned-Land Acquisition and Compensation

- Resettlement Action Plans (RAPs)-critically important.
- Complex land tenure systems
- Pipeline traverses 17 700 land parcels –one/100m
 - > 60 000 land right holders- no physical displacement
- Vulnerable groups approach (women and elderly, ethnic minorities- Kurds, Alevi Muslims, Greek, Azeri)
- 'RAP Fund' addressed gaps between local legislation and IFC policy compensation requirements
- Compensation for fishermen-groundbreaking approach
- Use of independent local NGOs in land acquisition process was very effective-considered best practice
- Guides to Land Acquisition and Compensationpromoted best practice in consultation and disclosure





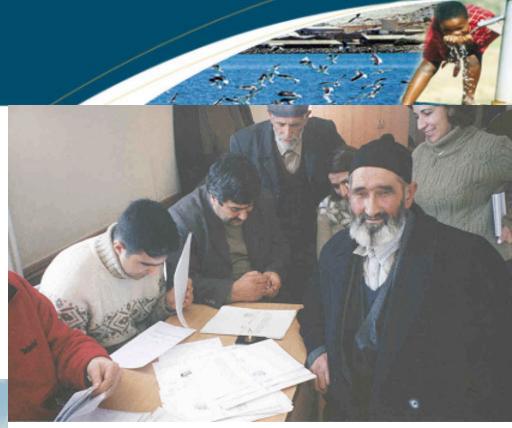
Lessons Learned: Public Consultation and Disclosure

- Thorough consultation process at community/ village level by BTC- but results and lessons could have been better disseminated
- IFC/EBRD sponsored Multi-stakeholder Forum. Facilitated interaction with, and feedback from local NGOs, civil society in 3 countries- but little participation by international NGOs'
- Considerable IFC interaction with BTC and affected communities and interested parties- achieved in-depth understanding of key issues
- Enabled thorough considered response to intense scrutiny of project documentation (including by WB Executive Directors and international NGOs) during IFC disclosure period. Facilitated decision-making to support project

ESIA –BTC led Public Consultation

Consultation with vulnerable group in Turkey: Alevi Muslim village





Land acquisition and compensation process in Turkey: village-level consultation with landowners near Erzurum with local NGO input

Multi-Stakeholder Forum

Six meetings held
- two in
each country



Attended by >800 people



Lessons Learned: Transparency



- Production Sharing Agreement (PSA) and Host Government Agreement (HGAs) disclosed
- Revenue transparency: Oil Fund set up–WB/IMF worked with Azerbaijan Government
- Positive benefits of disclosure- but much misunderstanding and endless queries
- Constructive interaction between BP and Amnesty International to clarify intent of certain agreements
- Approach has strengthened project



Lessons Learned: Added Value



- BTC funded US\$37m Community Investment Program (CIP) and Environmental Investment Program (EIP)
- BTC partnering with local and international NGOs for CIP implementation- high success level and considered best practice
- BP Enterprise Center established in Baku to facilitate local input in project construction and business development.
- SME Linkages Program. Locally based IFC coordinator/ staff working closely with BP/BTC to extend project benefits to local enterprises in all 3 countries.



Monitoring/ on-going consultation

Independent member of SRAP Monitoring Panel meets local affected people-Azerbaijan



Concerns about land acquisition being discussed with affected community members

-NE Turkey



Lessons Learned: Monitoring and Evaluation



- Ten layers of monitoring (4 internal and 6 external). Public disclosure of external reports
- Tenth layer is local NGO monitoring-capacity building required
- Independent Caspian Development Advisory Panel reports directly to CEO of BP- has resulted in timely response to recommendations
- Sharp focus on monitoring is enabling quick identification of issues and implementation of solutions
- But there are inevitable difficulties with a large and complex project





Conclusion



- New regional benchmarks set:
 - transparency
 - environmental and social standards and practices (including regional review)
 - enhancing development impacts –SME development, community and environmental investment programs
 - implementation monitoring
 - increased constructive engagement with stakeholders

