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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 BAKU-TBILISI-CEYHAN (BTC) PIPELINE AND AZERI-CHIRAG-DEEPWATER GUNASHLI (ACG) PHASE 1 OIL FIELD DEVELOPMENT



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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.

No Routing Options Available to Fully Avoid Sensitive Borjomi Area- Georgia



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 unforeseen 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 Compensation- promoted best practice in consultation and disclosure

Physical Displacement of any Households Avoided



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

Safety Concerns: Difficulty of controlling access to R-O-W : Georgia



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