

1. Introduction

1.1 The project

The BTC Consortium (BTC Co.), an eleven-member coalition of oil companies led by BP, has applied for public funding (what BP itself has called “free public money”¹) from the World Bank’s private lending arm, the International Finance Corporation (IFC), the European Bank for Reconstruction and Development (EBRD) and a number of Export Credit Agencies to finance a major new pipeline – known as the Baku-Tbilisi-Ceyhan (BTC) pipeline – from the Caspian Sea to the Mediterranean.

The BTC pipeline would transfer up to 50 million tonnes of crude oil per annum (or one million barrels per day) from Sangachal on the Caspian Sea coast, via Azerbaijan, Georgia and Turkey, to the Mediterranean. Crude oil would be supplied to international markets via tankers loaded at a new marine terminal. Construction costs have been estimated to be at least \$3.7 billion, with 70% of that, around \$2.5 billion, either coming directly from public sources or being leveraged from private banks with the insurance of public funds.

1.2 Issues raised

Numerous problems have arisen with this controversial project, including allegations of corruption, human rights abuses, environmental damage and the wholesale transfer of political authority from sovereign states to multi-national corporations. There are serious questions over the public utility of this pipeline for the people of the three host countries, as well as the extent to which the BTC project will facilitate rather than impede many of the objectives that are part of the IFC’s and EBRD’s mandates, such as poverty alleviation, regional development and transition to democracy, in the three states.²

Many of these issues are examined in this review of the EIA for the Turkish section of the pipeline.

1.3 Financial institutions

As part of the process of BTC Co.’s application for public funds, in June 2003 the IFC and the EBRD approved the project’s fundamental planning and design documents, the Environmental

¹ Corzine, R., “Wisdom of Baku pipeline queried”, *Financial Times*, 4 November 1998, p.4.

² For example, the framework legal document for the BTC project, the Inter-Governmental Agreement (IGA), specifically notes in Article II (8) that the “Project is not intended or required to operate in the service of the public benefit or interest in its Territory.”

Impact Assessment (EIA) and the Resettlement Action Plan (RAP) and released them for a 120-day period of public consultation. During this time the major funders invite public comment and analysis on the EIA and RAP, and other project documents. That is the function of this review.

The review draws on material that has been compiled over several years by more than 80 NGOs. Much of the original data comes from two fact-finding missions to the region, reports from both of which are attached as appendices. Other sources include contacts and communication with locally affected people, NGOs and groups; and exhaustive analysis of the EIA, RAP and other project documents.

1.1 Structure of this review

The review examines issues relating to the project and its official documents, in seven main chapters:

- Chapter 2: Project legal regime
- Chapter 3: Consultation
- Chapter 4: Resettlement
- Chapter 5: Cultural heritage
- Chapter 6: Environmental assessment
- Chapter 7: Assessment of project alternatives
- Chapter 8: Ethnic minorities

Chapter 2 examines the legal agreements which form the basis of the project, and potential conflicts with Turkey's international commitments and various other instruments.

The other six chapters examine aspects of the design and implementation of the project. In each case, potential legal breaches are identified, and the project is assessed against international standards – specifically, the safeguard policies of the World Bank, IFC and EBRD, and the European Union Directive on Environmental Impact Assessment. However, the chapters are structured by issue rather than by policy.

Thus some policies and requirements are covered in more than one of these chapters.

Consideration of IFC's OP 4.01 (Environmental Assessment) is divided between chapters 3 (consultation aspects of OP 4.01), 7 (assessment of alternatives aspects) and 6 (other aspects).

Breaches of consultation requirements specifically relating to resettlement, cultural heritage and ethnic minorities are covered in those respective chapters, rather than under consultation.