

## BTC FIELD VISIT - FLASH REPORT

This report documents the initial observations regarding key issues on the Baku-Tbilisi-Ceyhan pipeline project resulting from a field visit from 14th to 27th June 2003.

### General

In all 3 countries there was a strong emphasis on health & safety, environmental and social issues. Induction training was given on entry into each country and personal protection equipment was required for all personnel, including visitors, on every site. This was rigorously enforced in Azerbaijan and Georgia although I observed several minor infringements relating to transport activities in Turkey.

Great care is being taken to ensure that the project is being implemented to the highest standards. Both BTC and the contractors have health & safety, environmental and archaeology specialists in the field monitoring the work.

### Azerbaijan

#### Summary:

- Good progress is being made.
- The implementation teams appear to be in control and implementing the project to high standards.

#### Selected details:

The overall plan is to lay the BTC pipeline from east to west and then return from west to east laying the South Caucasus gas pipeline (SCP).

Land acquisition is progressing well. Only the land for the permanent above ground installations (AGIs) will be purchased. Land for the Right of Way (RoW) will be leased for up to 3 years. The actual amounts offered included a premium above the rates that had been publicly announced. It was reported that most owners were surprised that any payments were being made and were astounded at the level of compensation offered. Only 76 formal complaints have been received - virtually all of which have now been resolved. Compensation is paid by BTC on behalf of the state into a bank account set up in the recipients name as soon as the documents are signed however most choose to withdraw the cash immediately. The NGO CLEE was always available to provide assistance to any recipient that requested it. BTC has done what it can to make recipients aware that all the compensation is for the recipient - no taxes or other payments need to be made to anyone.

Construction on the pipeline has started. About 30km of the RoW west of Sangachal terminal has been staked and pipeline strung along 16km of this. No trenching has

REPAIRS AND MAINTENANCE WORKING IN PROGRESS. The engineering standards were excellent with the use of automatic welding machines and x-ray checking of all welds.

The RoW passes through one corner of the Gobustan Cultural Reserve for a total distance of ~900m. The nearest rock art is over 1km away and the RoW is fenced to deter workers from straying beyond its limits. The RoW is outside the area designated for consideration as a World Heritage site. The contractor has produced a Cultural Heritage Management Plan specifically for this section and has also documented the state of the nearest rock art so that any previous damage cannot be attributed to the project. All possible precautions appear to be being taken so I believe that this routing is acceptable.

Just to the east of the Gobustan Cultural Reserve the RoW passes across a dry river gorge. Unfortunately due to the proximity of the Gobustan Reserve it is not possible to tunnel under this using horizontal directional drilling (HDD). As a result the profile of the valley will be permanently changed as it will be impossible to reinstate the vertical valley sides. BTC Co recognises this and will lay both the BTC and the SCP pipelines at the same time to minimise the disruption. Although this impact will be permanent I do not believe that it is so serious that ECGD support should be withheld.

The RoW is close to the existing Western Route Export Pipeline (WREP) for several kilometers. The WREP route can be identified by poles with yellow tops at regular intervals. There was no sign of any security for the WREP - or any need for it.

Sangachal terminal is currently part of 4 major projects: the Early Oil Project (using the WREP to generate early cashflow); the Shah Deniz offshore gas project, BTC and SCP. Currently there are 1800 workers on the site and this will rise to 2500 shortly. Most are recruited from local villages - there are 14,000 people on the databank at the recruitment centre established for Sangachal.

The Community Investment Programme (CIP) and Environmental Investment Programme (EIP) have both been successfully launched. 4 projects have been awarded a total of US\$5.5m under phase 1 of the CIP and 3 grants are expected to be awarded under the EIP at the end of July.

Prior to the field visit I had received reports that the pipeline was to be routed directly under a house in the villages of Garabjork and Chiyni. Review of aerial photographs with the BTC and SCP pipeline routes marked on showed these to be inaccurate. In both cases the pipeline will be laid using the HDD technique rather than open trenching and will be up to 20m below ground level at the closest points to the nearest houses. In Garabjork the horizontal distances between the nearest house and the pipe centre lines will be 20m for the SCP and 40m for the BTC pipe. In Chiyni the nearest house will be 46m from the SCP and 43m from the BTC pipe. BTC has agreed to provide me with copies of these photographs.

In Baku I met with Dr Mayis Gulaliev a representative of the Caucasus NGO Federation. Most of his issues were with the Government of Azerbaijan rather than with the BTC project. Essentially he does not think that the project should go ahead at this time as there is not sufficient democracy in Azerbaijan at present.

## Georgia

### Summary:

- A good start has been made.
- The implementation teams appear to be in control and implementing the project to high standards.
- The lack of sophistication of the Georgian legislation relating to land ownership and the current inability of non-owners to impose restrictions of use on owners means that BTC Georgia has not yet identified the mechanism for returning ownership/formal usage rights of land acquired for the RoW to the previous owners.
- The route through the Borjomi area appears to be acceptable.

### Selected details:

BTC is acquiring all the land for both the Row and the AGIs. This was stated to be necessary in order for BTC to be able to impose restrictions on its usage after installation of the pipeline. It also enabled BTC to acquire land owned by absentee landowners. BTC is currently investigating mechanisms for returning ownership to the previous owners whilst maintaining "less than full ownership" rights in order to restrict the use of the 8m wide strip directly above the pipeline. These restrictions will include: no buildings, no planting of trees and no deep ploughing. Return to previous usage should be possible in all cases. The calculation of the land value was stated to be based on the cost of purchasing replacement land so BTC claims that previous owners have received the full value even if the usage is not returned to them. However there is a clear commitment in the Resettlement Action Plan (RAP) and the Guide to Land Acquisition (GLAC) to return the land to its previous users.

68% (1998 out of 2927) of the parcels of land for the RoW that were privately owned have now been acquired.

The RoW passes through several environmentally sensitive areas, including through the catchment area for the Borjomi mineral and spring water. In all cases BTC appears to have chosen the optimal route given all the potential and actual impacts.

I visited several section of the WREP in Georgia. The only indications of its existence below ground were the marker posts. There was no sign of any security for the pipeline or any need for it. I asked [REDACTED] from the UK Embassy in Tbilisi to assist in obtaining a rough estimate of the annual expenditure by the Government of Georgia on security of the WREP. This will assist in determining the potential cost of providing security for the BTC pipeline that is a critical item in the Productive Expenditure test.

The Community Investment Programme (CIP) has been successfully launched. 2 projects have been awarded a total of US\$5m under phase 1 of the CIP. Requests for proposals for the EIP have yet to be issued although \$0.5m has been allocated to finance the development of a management plan for the Kstia-Tabaskuri Park - to be done at the same time as 3 others that are being funded by the World Bank's Global Environmental Fund (GEF).

Green Alternatives (Manana Kochladze and Kety Gujaraidze) raised several issues: Garabjork and Chiyni villages. *I advised them of the information shown on the aerial photographs.*

RoW land being purchased rather than leased with no commitment to return ownership. They said that the Georgian legislation would have allowed BTC to lease the land for the RoW and impose restrictions on its subsequent use. *This conflicts with BTC's views and, even if possible, might have lead to difficulties in the compulsory purchase of land where the owners could not be traced or contacted.*

Users of community land are not receiving compensation - it is going to the local authority which the people don't trust.

Users of 400ha of land they do not own in the villages of Nasrlo and Kasalo are not being compensated.

Neither BTC nor the independent NGO monitoring the land acquisition process (APLR) have responded to several letters sent to them by Green Alternatives.

The law sets a minimum value for agricultural and non-agricultural land but GA claims that this does not represent the true value of building land.

The police have advised villagers who will receive compensation that they will not provide any protection. The names of recipients and the amount of compensation they will receive have been published in newspapers. Criminals are using this information to extort money from recipients. *BTC is only aware of APLR publishing the names of absentee owners whose whereabouts were unknown.*

Routing of the RoW through the Kodiana Pass will result in landslips which are already threatening the village of Dgvari. *My personal observation and analysis by WS Atkins specialist clearly show that the landslips threatening Dgvari are completely separate from the route of the RoW.*

## Turkey

### Summary:

Land acquisition has started although somewhat later than scheduled.

Unlike in Azerbaijan and Georgia, landowners in Turkey are not being given independent support during the land expropriation process. The Turkish NGO (RUDF) monitoring the land acquisition process only attends a sample of the meetings, provides no support or comments during the meetings but issues regular monitoring reports to BTC and Botas.

No consideration appears to have been given to how the use of acquired land might be formally returned to the previous users.

The contractors' implementation teams appear to be implementing the project to high standards, but the BTC assurance team does not inspire confidence.

### Selected details:

Implementation in Turkey is complicated by the fact that BTC has a lump sum turnkey key contract with the Turkish state oil company Botas. Botas has let 5 engineer/procure/construct (EPC) contracts - 3 for the RoW, 1 for the pumping stations and one for the Ceyhan terminal. Botas has primary responsibility for the project implementation while BTC has an assurance role in ensuring the project's compliance with the agreed standards.

Due to the requirement contained in the HGA for the land in which the pipe is buried to be eventually owned by BTC, Botas is buying an 8m wide strip of land and leasing 10m wide strips on either side of this to form the 28m wide RoW. This 8m wide strip is being permanently acquired and BTC/Botas do not appear to have given any consideration to how a formal right of use of this land might be given back to the previous owner.

Compulsory land acquisition in Turkey must be carried out by a Designated State Authority (DSA) and for the BTC project Botas has been identified as the DSA. However BTC works closely with Botas for land acquisition. The NGO RUDF has been contracted to review the land valuation methodology and the monitor its implementation. However, unlike in Azerbaijan and Georgia, RUDF attends only a sample all the negotiation meetings and does not provide any whatsoever assistance to the people whose land is being acquired. ***I believe this is a major flaw in the process and BTC should be requested to take immediate action to address this.***

The first round of negotiations took place in November 2002. A second round was started in January 2003 and is still continuing.

There appear to be differences of opinion about the degree of negotiation available to the landowners. The BTC Social Coordinator and the BTC/Botas land acquisition team said that there was little opportunity for bargaining – the methodology was identified in the latest (2001) legislation and was based on the facts relating to the type of land and the land usage. However other BTC staff said that they believed that the law was much less prescriptive than this.

The land acquisition process is as follows:

- i) Botas sends the landowner notification of the proposed purchase. The notification includes a brief description of the BTC project, the size of the area to be acquired, some land title data and the place, date and time of the negotiation meeting. It was stated that it would be illegal to disclose the proposed valuation at this stage.
- ii) At the meeting, Botas advises the landowner of the proposed valuation. If the landowner agrees to accept this valuation he can sign the contract immediately and the purchase proceeds. If the landowner does not agree to accept the valuation he has 2 choices (both of which involve the court in the valuation process):
- a. He can sign a "non-agreement form". In this case Botas will initiate court proceedings according to the construction schedule but, in any case, within 6 months of the initial negotiation meeting.
  - b. He can sign nothing. In this case Botas will initiate court proceedings within 15 days.

Annex 3.4 of the disclosure version of the RAP describes the implementation of these legal proceedings. In normal circumstances Article 10 would be used for land expropriation but its use for this project would present difficulties in several circumstances. For instance, Article 10 requires all the landowners to be known and to have participated in the negotiations that would be difficult given the multiple ownership of much of the land, many of whom are absentee landowners. Proceedings under Article 10 also take a considerable time (4 – 6 months was quoted) and ownership rights or right of access do not pass to the buyer until the case has been concluded. There is also a "fast-track" court process using Article 27 in which the case is heard within 7 days of the expropriation request being filed and the buyer has right of access 7 days later even if the valuation is still being contested by the seller. The RAP annex clearly states that Article 27 will be used in all cases in order to expedite the process, however, when questioned, the BTC Social Coordinator and the Botas land acquisition team would not confirm that this was the case and offered other excuses for using Article 27 rather than Article 10. *This lack of consistency, transparency and honesty from the project team is very disturbing.*

Civil work has started at the first pumping station (close to the Georgian border), at the pumping station just outside Erzurum, at the Ceyhan terminal and on the RoW immediately to the north of the Ceyhan terminal and in the southern foothills of the Taurus Mountains about 80km north of Ceyhan. The BTC Delivery Manager for the southern section of the RoW (Lot C) appeared to be unaware of this last workfront as he described the current RoW work as being only that immediately outside the terminal with preparations being made for a second start at the north end of the southern section in a couple of month's time. *This lack of knowledge by BTC of day-to-day activities may be due to the contractual structure in Turkey but is, nevertheless, of concern, as ECGD will be mainly relying on BTC for reports on the project's progress and any significant incidents.*

Some trenching and pipe welding has also started just outside the terminal. Although welding has been stopped pending the resolution of quality problems found in the first batch of welds that were x-rayed.

A large ancient burial area was found during the pre-construction survey for the RoW close to the Ceyhan terminal. The RoW is being re-routed to avoid the area completely.

The visit to the southern edge of the Taurus Mountains showed the difficult nature of the terrain through which the RoW passes. The steep slopes and rocky nature of the ground will mean that installation will not be easy and may require a wider working area than the standard 28m. Full reinstatement of the land - such that the pipeline route is not visible - will also be impossible. However there was a clear commitment to do much better than Botas had done with the North East Anatolian gas pipeline whose route was clearly visible over many miles from the air during the flight from Erzurum to Ankara. The scar left by this gas pipeline sets a clear example of poor reinstatement.

Requests for proposals (RFPs) for the Turkey CIP were issued in December 2002 and grants totalling US\$4m are shortly to be awarded to the 4 winning bids. The focus in Turkey is on the poorer northeastern part of the country and the key themes that emerged from consultation with the affected villages were: employment/income generation; agriculture; general capacity building and social awareness. RFPs for a second phase of the CIP are scheduled for the end of 2003, when grants totalling a further US\$4m will be available.

In Ardahan I met Mr Ferhat Kaya, a member of a local (essentially Kurdish) party Demokratik Halk Partisi (DEHAP), currently not represented in parliament, that had met with officials of DFID, FCO and ECGD in London at the end of May. FK's main concerns related to the level of compensation being offered and to the immediate use of court proceedings if the initial valuation was considered to be unacceptable. The BTC Land Affairs Manager committed to providing a details response to each of the points raised by FK.