

23 October 2003



Les Amis
de la Terre

BD

BANK DECLARATION



Campagna per
la riforma della
Banca Mondiale

Mr. Chris Knowles
Project Finance Services
JP Morgan Chase
10 Aldermanbury
London, England EC2V 7RF
VIA EMAIL AND POST

Re: concerns regarding Baku-Tbilisi-Ceyhan oil pipeline

Dear Mr. Knowles:

We are writing to draw your attention urgently to our concerns over the Baku-Tbilisi-Ceyhan (BTC) oil pipeline, which is currently seeking financing.

We enclose the executive summary of a detailed review of the project's compliance with the standards of international financial institutions. While at first glance the project may appear to have addressed environmental and social issues, a detailed examination reveals disturbingly poor performance in these areas. Two fact-finding missions to the pipeline route have found substantial divergence between what is claimed on paper by the project, and the reality on the ground in implementation. Meanwhile, thorough analysis of the project documents has found that even in design, the project is a long way from international best practice. For example:

- The majority of affected people have not been meaningfully consulted on the project.
- Compensation payments to landowners who have had their land expropriated have been consistently well below land replacement cost.
- Baseline surveys of environmental and cultural resources have been cursory at best: the majority of sites have not been surveyed, and those that have, have been visited just on one day.

Of particular concern is the fact that the BTC Co. consortium has completely failed to address the project's impacts on ethnic minorities. There are a number of ethnic minorities on the pipeline route, especially in Georgia (eg Armenians, Greeks, Abkhaz, Russians, Ossettians), who will be adversely affected. This analysis focuses on the Kurds in Turkey.

BTC Co. has declined to apply the World Bank's Operational Directive 4.20, Indigenous Peoples, the only directive specifically aimed at safeguarding the interests of minority groups – despite the fact that the Kurds meet every one of the criteria for applying OD 4.20. The decision not to apply the policy leaves the Kurds and other ethnic minority groups unnecessarily and unjustifiably vulnerable. The fact-finding missions have already found discrimination and excessive negative impacts experienced by minorities, and indeed major human rights concerns associated with the project.



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Furthermore, there is strong evidence that the pipeline will not help with poverty alleviation in the region. In Azerbaijan in particular, extensive corruption has prevented oil revenues from reaching those who most need them. Earlier this month, an Azerbaijani human rights group submitted a complaint to the International Finance Corporation (IFC) and the European Bank for Reconstruction and Development (EBRD) concerning corrupt practices at the State Oil Company of Azerbaijan (SOCAR).¹

Meanwhile, in Georgia, by passing through the support zone of the Borjomi-Kharagauli National Park, the pipeline threatens the mineral water springs which produce the country's largest export. The Borjomi routing has been highly controversial, and has sparked widespread public protests in the country.

Our research, on the Turkey section of the pipeline, finds that:

- **The project potentially breaches the Turkish Expropriation Law on at least two counts;**
- **The project is in partial or total breach of international standards on 171 counts, which under the project agreements are requirements of Turkish Law;**
- **There is significant legal uncertainty surrounding the project agreements; and there are concerns regarding conflicts between the agreements and Turkey's international obligations on environment and human rights.**

We therefore urge you not to provide loans to the BTC pipeline, as it currently stands. Specifically, we recommend that loans should not be considered to BTC until at least the following requirements are met:

- **IFC policy OD 4.20 (Indigenous Peoples) is applied and the project brought into compliance with it;**
- **The project is made fully compliant with host country law and with international standards;**
- **Legal clarity on the project agreements is achieved** – the project agreements should be amended to protect third party rights, and to ensure compliance with Turkey's obligations under international human rights, land rights and environmental law;
- **Ongoing investigations and inquiries by independent authoritative bodies have been satisfactorily concluded** – including through the European Commission and the OECD.

We are confident that you will share our concerns, and that you will stand up for business ethics, by not providing a loan for this project, while it is in breach of national laws and of international best practice. We look forward to hearing from you. Please address further correspondence to Michelle Chan-Fishel of Friends of the Earth at 1847 Berkeley Way, Berkeley, CA 94706 or mchan@foe.org

¹ See Committee of Oil Industry Workers' Rights Protection / CEE Bankwatch Network press release, <http://www.bankwatch.org/press/2003/press40.html>

Yours sincerely,

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cc: Anthony Horan, Corporate Secretary, JPMorganChase