

The Baku-Ceyhan (BTC) Pipeline Project and Its Discontents

BP and the other companies in BTC Co. are seeking at least \$1.5 billion in public funding for this supposedly ‘commercial’ oil project, from three main sources:

- (1) The World Bank, through its private lending arm, the International Finance Corporation (IFC), to which the UK Department for International Development (DfID) contributes funds;
- (2) The European Bank for Reconstruction and Development (EBRD), to which the UK government also contributes;
- (3) National export credit agencies, like the UK’s Export Credits Guarantee Department (ECGD).

Denial of Public Purpose

Serving the public interest is a fundamental requisite of any project which requests “free public money”, yet the framework document for BTC, the Intergovernmental Agreement, specifically states that, “(i) the MEP Project shall not involve the provision of services to the public at large in its Territory for purposes of satisfying the general or common needs of the populace, (ii) the MEP Project is not intended or require to operate in the service of the public benefit or interest in its Territory...”

Regional Development and Poverty Alleviation Concerns

- The IMF has rescinded its \$100 million loan to Azerbaijan, alleging improper use of the Azeri Oil Fund. Set up to fund socially useful infrastructure, \$220 million of the Oil Fund is instead being diverted to fund the construction costs for BTC. According to the head of the World Bank in Azerbaijan, the IMF decision may in turn imperil the IFC’s willingness to fund BTC.
- Benefits likely to be overwhelmingly enjoyed by the political elites of the host countries, with very little ‘trickle-down’ to ordinary people.
- The stunting of Azerbaijan’s developing domestic industry and closure of the petrochemical industry, as the pipeline’s economic viability is ensured through the export of almost all oil produced in Azerbaijan.
- Threatens the mineral water springs in the Borjomi district of Georgia, possibly destroying Georgia’s main source of export income and the area’s major source of employment.
- Pipeline will bring few jobs along its route—most workers are specialised and will be imported from outside.

“Transitions to Democracy”

- Azerbaijan has recently passed several laws restricting NGO independence from the state to pre-empt criticism of BTC. Government attacks opponents of BTC as traitors and enemies.
- NGOs in Georgia fear the country is too weak to hold its own in the negotiations that surround the project. For example, the environment minister was recently detained by the president in the middle of the night until she agreed to ratify the project route.
- Academics and environmental organisations in Turkey contacted by NGOs have been threatened with the loss of their jobs and the right to operate.

Corruption Concerns

- Transparency International ranks Azerbaijan as the world’s third most corrupt country. The World Bank and EBRD have reported high levels of corruption in Azerbaijan and Georgia, and highlighted problems of corruption in Turkey (2001 report: contractors in Turkey usually asked to pay up to 15% of the value of state contracts to politicians as “state contributions”; Turkish Energy Minister forced to resign in 2001 over corrupt allocation of energy contracts)
- Corruption allegations related to BTC project:
 - NGOs report villagers in Georgia are paying \$500 bribes to secure pipeline jobs.
 - Complaint made to World Bank regarding contract rigging in awarding Georgian International Oil Company (GIOC) contracts for work on the Environmental and Social Impact Assessment for BTC.
 - Allegations surround the Production Sharing Agreement reached between the Azeri government and the Azerbaijan International Oil Company (AIOC) in 1994.

Legal Implications of the Project Agreements

The Host Government Agreements (HGAs), the contracts between BTC Co. and the host countries, share a number of elements many have described as “colonialist”. For example, the Turkish HGA:

- Exempts the BTC consortium from any obligations under Turkish law, aside from the Constitution, which conflict with the terms of the HGA and the overarching framework legal document, the Inter-Governmental Agreement (IGA).
- Indemnifies BTC Co. from the financial impacts of any new environmental, social or any other laws affecting the pipeline that Turkey may introduce in the next forty to sixty years, the lifetime of the Agreement,
- Grants BP and its partners exclusive power to terminate the HGA, except in extraordinary circumstances.
- Effectively denies a future Turkish Government the ability to invoke its executive powers to amend the agreement so as to afford its citizens greater protection.

NGOs are concerned that the agreement's legal structure may lead to violations of the European Convention on Human Rights (ECHR) and to conflicts with EU laws and other international instruments. The World Bank, EBRD and ECGD have yet to publish any due diligence assessment on the compatibility of the HGAs and IGA with international law.

Debt implications of the HGAs

- HGAs for Azerbaijan, Georgia and Turkey commit governments to a number of open-ended expenditures, including full costs of ensuring the pipeline's security, and compensation costs to BTC Co. for any losses incurred as a result of the introduction of new social/environmental laws over the next 40-60 years. There have been no budgetary provisions to cover such expenditure. Moreover, Georgia is currently off limits for ECGD support due to its shaky economy and high levels of debt.
- Turkey has agreed to build its section of the BTC pipeline under a Lump Sum Turnkey Agreement (LSTA) for £1.4 billion. Any costs over this are to be covered by the Turkish state. Cost escalation is almost inevitable; BP's Alaska pipeline went **ten times** over budget. The equivalent overrun in Turkey would likely violate its IMF loan guarantee ceiling of 2001.
- Only \$99 million has been set aside to pay for compensation and resettlement of affected people in Turkey, nowhere near enough.

Pipeline security, human rights, conflict and militarization of the region

- The pipeline passes through or close to a number of areas of recent conflict, including the Kurdish region of Turkey. People displaced in the fifteen year war will be prevented from returning to their land by the BTC project.
- BP's own comments: "Technically, Armenia and Azerbaijan have yet to resolve their regional conflict. A pipeline carrying oil sourced in Azerbaijan which passes close to previous areas of conflict could create a significantly increased security threat to construction and operations personnel, as well as pipeline facilities."
- The militarization of the pipeline is already a reality. For Turkey, pipeline security would be the responsibility of the Gendarmerie, which has an appalling human rights record. BP claims that the voluntary agreements it is requesting the Gendarmerie to enter into will offset their long-standing inclination to human rights violations.
- The pipeline passes close to the headwaters of both the Tigris and Euphrates (the two most significant sources of fresh water in the entire Middle East)—any spillage from BTC would be catastrophic to both local populations and those hundreds of miles away from the pipeline site.

Violations of World Bank Safeguard Standards—Consultation and Ethnic Minority Issues

NGO fact-finding missions to the region revealed major violations of applicable World Bank operational policies. In practice, the project violates four of the World Bank's operational policies on environmental assessment, involuntary resettlement and natural habitats. Of particular concern is that despite the large number of ethnic minorities along the pipeline route, the IFC and BTC have refused to apply OP 4.20 (Indigenous Peoples), the Bank's safeguard policy which seeks to ensure that ethnic minorities are not disadvantaged by Bank-funded projects.

Climate Change Impacts

BTC would accelerate the exploitation of fossil fuel reserves under the Caspian, increasing the emissions of greenhouse gases and retarding the development of alternative energy sources. Every year it will transport the oil equivalent of nearly 30% of the UK's yearly carbon dioxide output. For BP to ask for public funding for this project while promoting itself as 'Beyond Petroleum' is more than *chutzpah*; it is outright public deception.