BP's new Caspian Pipeline – Fit for Public Funding?

Experts' Seminar on BP's Pipeline Record and Baku-Ceyhan Pipeline

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SEMINAR REPORT

Anders Lustgarten, Kurdish Human Rights Project, and Nick Hildyard, The Corner House

Within the coming months, funders such as the World Bank and the European Bank for Reconstruction and Development (EBRD) will decide whether to provide up to $1.5 billion of public money to finance a major new pipeline system from the Caspian Sea to the West.

BP is the lead company in the consortium intending to build the pipelines and is also the operator and lead shareholder in the oil and gas fields which will supply them. BP has said that the pipeline cannot be built without "free public money". The pipeline consortium is seeking public funds via the International Finance Corporation (part of the World Bank), EBRD and the UK's Export Credit Guarantee Department.

Environmental and human rights groups have criticised the pipeline project for the impacts it would have on the region, especially given BP's poor record on other pipeline systems – such as its major pipeline systems in the North Sea, in Alaska and Colombia. In particular, concern has been expressed over the agreements that BP and partner oil companies have signed with the governments of Azerbaijan, Georgia and Turkey as they allow the companies to demand compensation for any future law that may threaten the project's profits. This includes environmental, social and human rights legislation – thus giving the companies powerful leverage over the countries' own sovereignty.

To facilitate debate about the concerns raised by the project, a coalition of NGOs – spanning the field of environment, human rights and development – held an Experts' Seminar to be hosted by Lord Avebury of the All Party Parliamentary Human Rights Group. The seminar was attended by an invited audience of over 100 parliamentarians, civil servants, journalists, financial analysts and investors.

Speakers included experts with direct experience of BP's operations in Alaska, Colombia and the North Sea. The seminar also heard from delegates from Azerbaijan, Georgia and Turkey who were visiting Britain as part of an international Fact Finding Mission from the region to learn more about UK involvement in the project and BP's role and record.

Although the organisers of the seminar invited a speaker from BP, the company declined to attend the meeting. BP told the seminar's organisers that the issues that were likely to be raised "had been well rehearsed already".

Opening Remarks

Lord Avebury, the chair of the seminar, welcomed those present, particularly those guests from abroad, and stated that he much regretted that BP had refused to put up a speaker. The company was seeking public money and it should surely be prepared to justify itself to the parliamentarians.

Two introductory addresses then followed by **Kerim Yildiz**, Executive Director of the Kurdish Human Rights Project, and **Tony Juniper,** Director designate of Friends of the Earth. KHRP and FOE are two of the groups that form the Baku-Ceyhan Campaign, the coalition of environmental, human rights and development groups which organised the seminar.

The Turkish leg of the proposed BTC pipeline will pass through Kurdish areas, said Mr. Yildiz. The political climate in the Kurdish regions of Turkey—the lack of freedom of association and expression, the frequent human rights abuses and intimidation—has led to Turkey being repeatedly found against in the European Court of Human Rights. It also badly compromises the BTC project, seen for example in BP's failure to consult or produce any documents in Kurdish and their lack of consideration of the political context: the 3 million plus people internally displaced by the brutal conflict against the Kurds in the region. The Host Government Agreement signed between the Turkish government and BP and its partners effectively exempts BP from Turkish social and environmental laws that impinge on the project. As such it divides Turkey into three – those parts that are subject to Turkish law, those Kurdish areas that are subject to effective emergency rule – and the pipeline corridor which is subject to "BP's law". This is ironic, given the 18 year war that the Turkish state has fought in the south east of the country to preserve Turkey's unity at the expense of Kurdish aspirations. Many observers are surprised that BP hasn't been charged with separatism for dividing the Kurdish regions! The lack of BP presence here doesn't bode well for people in the region or for BP's claims of transparency.

Tony Juniper stated that the scale and scope of the BTC project are remarkable, but there are repeated examples of poorly developed pipeline projects. This one has yet to be built, and there are parallels with the failures of the Ilisu Dam to satisfy public concerns. BP's previous pipeline in the region, Baku-Supsa, lies rusty and decayed in places. Previous pipelines, e.g. in Colombia, Nigeria and Chad, have exacerbated local conflicts, and BTC goes through 7 existing conflict zones. There are liability issues: who will be liable, and does the HGA comply with international law? There are major questions over available redress through international legal instruments. This is a "private" initiative which requires public financing, yet there is a failure to comply with appropriate international standards for publicly financed projects. As far as the effects on global climate change are concerned, BTC is anti-Kyoto, and shows that there is no "joined-up policy" in operation. There are major security issues. There are also serious questions to be asked here about the way multinational companies are influencing local governments and communities.

The Experience of Alaska, Colombia and the North Sea

The chair then introduced **Charles Hamel**, a former oil broker who has been active in raising serious safety and regulatory breaches on BP's Trans-Alaska Pipeline System and its related oilfields in Alaska's North Slope, communicating the reports of whistle-blowing employees to Congress, the Senate and the media. Mr Hamel stated that his research had revealed a recurring pattern in BP's Alaska operation of avoidance of taxes, loss of oil and technical falsifications of water and air quality. Oversight agencies are "one-eyed watchdogs, fast asleep". Investigators were shown a pristine-looking example of the pipeline, but in reality BP was dumping tonnes of toxic sludge into the sea—more per year than the total released by the Exxon Valdez. Numerous technicians feared catastrophe, since 50-60% of emergency shutdown valves were leaking. Mr Hamel revealed that his work with whistleblowers had led to his being harassed by private investigators: his telephone had been tapped, and he had been trailed and set up by BP in an attempt to discredit him as an extortionist. "There is a blatant need for independent oversight of BP's operations", he concluded.

Jake Molloy, general secretary of the Offshore Industries Liaison Committee, the largest North Sea oilworkers' union, then documented the poor safety record on BP rigs and installations in the North Sea: **"**When I began working in the North Sea in 1980, there were no union rights, extreme danger and frequent accidents," he stated. "I was fired in 1986, only to be rehired to replace a dead man." Those who lobbied for change were often given NRB notices—Not Required Back. After the explosion on Occidental's Piper Alpha platform in 1988 killed 167 men, a new regulator and safety reps were imposed on the industry, and a union emerged. But 85-90% of workers are on contract, and safety reps do the job only secondarily to their own work. A lot of working agreements are voluntary—they are collective without there being collective bargaining. Men can still be moved easily, and there are still regular deaths, which BP usually blames on the worker; "he didn't have the courage to stop working." BP cost-cutting leads to reduced teams and increased workloads and danger. BP supervisors rate people on "soft skills" such as the "willingness and ability to change"; often those who are vocal in their criticism are dispensed with.

Mr Molloy was followed by **Claudia Sampedro**, a lawyer based in Bogotá, Colombia, who has co-ordinated human rights and environmental cases against BP, which is co-owner of the OCENSA pipeline which connects the company's oil fields in northern Colombia with the Caribbean port of Coveñas. Ms Sampedro examined the broader impacts of oil development: Western multinationals (MNCs) bring to Colombia the idea of Western cultural and business superiority, twinned with practices of corruption and cash payments. People leave the land to work and stop producing, so the economy becomes ever more dependent on oil royalties. This leads to a cultural and economic crisis. "Development for whom?", she asked.

The Colombian experience also revealed how oil companies can come to act as parallel states. The legislative and monitoring framework for oil exploration agreements, for example, was the outcome of lobbying by technically advanced MNCs. The environmental impact assessment (EIA) for BP's Colombian oil pipeline was only made after major investment in the project. Those objecting to oil development are stigmatised with the complicity of the media. BP contracts explicitly

say that they are not intended to protect the environment, but to protect BP interests. Any opposition sees the peasants legally recast as “guerrillas”, and often “disappeared”.

Concerns from the Region

The seminar then considered the concerns that have been raised by non-governmental organisations (NGOs) and others in the countries through which the BTC pipeline would pass.

Razi Nurullayev, co-chair of the Society for Democratic Reforms, an independent non-governmental organisation in Azerbaijan, focussing on human rights, democratic systems and conflict resolution, said he was not opposed to the pipeline. But, as currently planned, it offered few social and political gains for the people, who are unaware of the drawbacks and issues. Azerbaijan has lost considerable wealth on projects previously, and does not feel it can trust its neighbours. The proposed pipeline is thus a political rather than an economic project. He summarised a long list of concerns, including transparency, compensation and employment policy.

Zardusht Alizadeh, co-chairman of the Social Democratic Party of Azerbaijan and a human rights activist in the Helsinki Citizen’s Assembly Azerbaijan National Committee, said that the economic benefits of this project are doubtful and the social impact is negative. The region has suffered massively with ethnic conflict, yet people’s social requisites are untouched. The simple export of oil is not the right solution—Azerbaijan has skills and personnel, but no jobs, so people are leaving in search of work. The oil will be wasted. BP cannot be relied upon: it is not a charity, and management is not government. BP’s only criteria are technical. Lack of profitability meant that for years no major oil company would touch BTC. The greed of the Azeri government means that Azerbaijan will be cut from East European markets monopolised by Russia.

Manana Kochladze, Caucasus coordinator of CEE Bankwatch Network, based in Tbilisi, Georgia, questioned BP’s commitment to dialogue and consultation. BP claims that their consultation processes have been transparent and comprehensive, she said, yet the board of the BTC consortium had failed to invite any critical organisations to a meeting it was holding in Georgia with NGOs. People along the pipeline know nothing of the real likelihood of compensation or benefits: they expect 70,000 jobs and free gas and oil, none of which they will get. They are paying $500 bribes to get jobs, which represents years of income in Georgia. BTC will imperil the Borjomi mineral water reserve, the only source of export income in the Georgian budget. It is odd that as water in the region becomes progressively scarcer, BP is going to further pollute it. BP has also caused new conflicts over resources among ethnic groups. The World Bank’s private sector arm, the International Finance Corporation, which BP has approached for financial support, points to the Chad Cameroon pipeline, which it funded, as a model of how the problems with BTC might be resolved. Ms. Kochladze rejected this view: dissatisfied Cameroonians have already filed complaints and claims with the World Bank over the adverse impacts of the Chad-Cameroon project.

Metin Kilavuz, a member of General Committee of IHD, the Human Rights Association of Turkey, rounded up the review of regional concerns. The right of residence is a fundamental human right; people have close relations with the land. In the regions of Turkey which the pipeline skirts, more than 4000 villages have been destroyed, the region has been depopulated and the people cannot return. Kurds in particular have not been consulted over BTC, nor have NGOs been properly informed. A major concern is that the pipeline will be used by the authorities as an excuse for denying people the right to return to villages destroyed during the 18-year war by the Turkish state against the Kurdistan Workers Party (PKK), now on ceasefire.

Discussion

The Chair thanked the speakers and opened the discussion to the floor. The first speaker was from an NGO working in Indonesia. BP claims for their new project in Indonesia that they have learned from the Colombian experience, but far from having beneficial effects, criticism there [in Colombia I think; anyone remember differently?] appears to have compounded the problem: new legislation makes necessary only notification, not community inclusion and consultation.

A second intervention, from Amnesty International raised questions over the human rights implications of the Host Government Agreements that BP has negotiated with Azerbaijan, Turkey and Georgia. The HGAs have no restrictions of the police forces of the host countries, and recent events in Russia illustrate what happens when the military deals with terrorist threats. There should be open forum discussions in the host countries and wider studies should be conducted.

Concerns were also raised by the Worldwide Fund for Nature over the environmental impacts of the BTC pipeline. The marine studies conducted in Turkey are totally inadequate, since Iraqi oil will also go through Ceyhan, should the US achieve "regime change" in Iraq. The mechanisms for eventual decommissioning of the pipeline and cleanup won't be decided for another 5 years, until long after the project is in operation – so it is impossible to make a proper judgement now about the project's full environmental impact.

Other speakers addressed the need to hold BP and other companies to account. In Colombia, BP has an effective divide-and-rule strategy which involves co-opting the malleable and criminalising the critical groups, often resulting in deaths and disappearances. The question is how can oil companies such as BP be controlled when domestic regulations are weak. It was also pointed out that the UK government and BP have extremely close and intimate links going back to the company's formation, enough to make them almost synonymous. This illustrates the determining influence of oil in global power and wealth.

The climatic impacts of the pipeline were also raised. The pipeline will emit 177 million tonnes of CO^2 per year. That is an amount 2.5 times greater than the UK's reductions proposed in the Kyoto protocol. This will seriously undermine other efforts to control fossil fuel emissions. That has global impacts, especially for countries like Tuvalu threatened with flooding.

Summary

By way of conclusion, **Nicholas Hildyard** of The Corner House, a research and solidarity group focussing on human rights, environment and development, was asked to summarise the concerns surrounding the BTC project.

Mr Hildyard pointed out that BTC, though a "private" project, needed what BP has termed "free public money": the pipeline is not financially viable without it.

But public money is not "free". To obtain it, BP must demonstrate that the project meets international standards. Thus far, it has failed to do so. Fact Finding Missions to the region reveal that even basic consultation with affected communities has often not taken place or has been inadequate. In itself, this provides strong ground for not funding the project.

Major questions surround the project – questions that the UK Department for International Development, which is responsible for overseeing that taxpayers' money channelled through the World Bank is responsibly spent, must insist on being answered. For example:

How can this project claim to have a public purpose when the Inter-Governmental Agreement for the project specifically states in Article II (8) 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 of common needs of the populace, (ii) the MEP Project is not intended or required to operate in the service of the public benefit or interest in its Territory?"

Why is the IFC refusing to insist that the project comply with one of its basic safeguard policies - its operational directive on Ethnic Minorities? This is indicative of a wider inadequacy of consultation.

Why is the UK Treasury, which is responsible for oversight of the UK's involvement in the International Monetary Fund, not insisting that the IMF checks the use of the Azeri Oil Fund, 25% of which is going to fund the construction of BTC even though it is intended for social development, in defiance of the IMF's own stipulations?

Do the Host Government Agreements (HGAs) violate international human rights and environmental law? The HGAs have been described as "colonialist" —they provide exemptions for BP from all existing and future environmental and social laws in relation to BTC, and require compensation if laws are changed. Has DfID and the ECGD checked the legality of the agreements? Are they compatible with the Human Rights Act? Can BP bind Turkey, Georgia and Azerbaijan as it has attempted to do? What about the implications for Turkey's EU accession?

What are the implications of the Turnkey Agreement signed with Turkey for the country's IMF debt? Turkey's indemnification of the construction costs of the Turkish section represents a potentially vast blank check, given how much pipeline costs usually spiral.

Mr Hildyard said that he had hoped that BP would be present to debate the points raised. Why was the company unwilling to justify itself? He concluded by stating that the Baku-Ceyhan Campaign would oppose public money being used to finance the project until the concerns raised were answered satisfactorily. He urged those present to support the campaign.