



February 13, 2003

Karen Decker  
Program Coordinator  
Europe and Central Asia  
Bank Information Center  
733 15th Street, NW, Suite 1126  
Washington, DC 20005

Dear Karen:

*RE: Request for Information -Turkey -Baku-Tbilisi-Ceyhan Oil Pipeline Project*

Thank you for your email of January 10, 2003 to Shahbaz Mavaddat, requesting information on IFC's evaluation of the Baku-Tbilisi-Ceyhan pipeline project (the "Project"). Mr. Mavaddat has asked me to respond on his behalf.

As you are aware, the Home Government Agreements (the HGAs) and the Inter Government Agreements (the IGA) are already in the public domain, and are available on the [www.caspiandevlopmentexport.com](http://www.caspiandevlopmentexport.com) website.

The overwhelming majority of the legal requirements set forth in the IGA and in HGAs refer back to local law in each Project country. The provisions of the IGA and HGAs that do override local law refer primarily to the area of technical, safety and environmental standards and are intended to ensure that the three Host Governments will adopt and implement minimum standards, in connection with this Project, and that these standards will not be less stringent than those generally applied within member states of the European Union. We believe that this is consistent with the transnational nature of this petroleum transportation project and will have a positive impact on the local economies. Furthermore, because of the involvement of IFC and other multilateral and bilateral lenders, the pipeline operator will also adhere to the World Bank Group's stringent environmental and social standards, including compensation for land, crops and other assets according to World Bank policy OD 4.30.

On the basis of the above, we believe that the IGA-HGA framework, as debated and ratified in the respective parliaments and subsequently made public in each Project country, does not restrict the law-making processes of the same.

Regarding the Options Assessment, the Baku-Ceyhan ESIA documents addresses the options that were assessed. They are also available on [www.caspiandevlopmentandexport.com](http://www.caspiandevlopmentandexport.com). A further assessment of the need for this Project and other potential options is provided in the National and Regional Review, which will be released on the same website shortly.

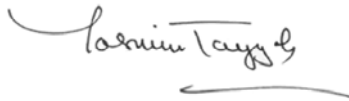
The development impact of the Project will be discussed in the National and Regional Review, referred to above; this review will lay out in substantial detail the implications of the BTC project and the other investments led by BP in the Caspian region. The Review addresses the development impact, and specifically looks at macro-economic development, revenue flows and revenue management, governmental accountability, conflict, human rights, ethical performance and corruption, domestic energy systems, environmental impacts, land acquisition, and others.

Regarding your request for copies of the Transportation Agreement between Azerbaijan, Georgia and Turkey, please note that the "Transportation Agreement" is not an agreement between Azerbaijan, Georgia and Turkey. This is a private commercial agreement between the investors in the BTC pipeline, and those same investors in the Azeri-Chirag-Gunashli PSA, governing the rights and obligations of those shipping their oil through the line, and of the shipping companies. This is a commercial contract which details the methodology by which the ACG oil will be shipped through the line, it details the commitment of certain ACG owners – some of whom are owners in BTC, to dedicate all of the volumes accruing to them from the development of the ACG field to BTC pipeline. Therefore, this agreement will not be a publicly available document.

The Astana Memorandum of Understanding (attached) is one of a number of MoUs, which have been signed signaling broad regional government support for the development of an East-West corridor – of which the subsequent development of BTC was a key part. All the MoUs are a matter of public record and were widely reported in the media at the time. In the context of the development of the BTC Pipeline Project, this particular MoU has no legal standing, and plays no role in the project. In the event that potential future developments concerning a link from Kazakhstan were to be considered, this would occur on an entirely separate and stand alone basis and would cover the Aktau to Baku section only.

Please let me know if you need any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "Yasmin Tayyab". The signature is written in a cursive style with a horizontal line underneath it.

Yasmin Tayyab  
Civil Society Coordinator

cc: M.Taylor, R.Kaldany, G.Murray