



October 23, 2003

IFC Response on
the Netherlands Commission for Environmental Impact Assessment's
"Advisory Review Report" on BTC ESIA
(dated October 15, 2003)

BACKGROUND

The difficulty of finding a route through Georgia for the Baku-Tbilisi-Ceyhan (BTC) Main Export Pipeline has been of interest to all stakeholders because of geopolitical security constraints, difficult terrain, geo-hazards, natural habitats, and economic water sources (in the Borjomi area, for example). Initially, three corridors were considered and ultimately rejected. The Eastern Corridor through Georgia was BTC's preferred corridor from an environmental, engineering and cost standpoint, but was discarded because of the Georgian Government's view that the Akhalkalaki district was too high a security risk. The Western and Central Corridors are not constructable because of a combination of very serious environmental and safety risks as well as major geohazard and economic challenges. Having rejected the three main corridor options, BTC endeavored to find a route through a small gap that did not cross the area of the Akhalkalaki district to the south, which was ruled out by the Georgian Government as mentioned earlier, or the Borjomi-Kharagauli National Park and State Nature Reserve to the north. When the severe terrain geo-hazards are superimposed on this area, there is only one viable route available (known as the Modified Central Corridor). The route passes through the Support Zone of the Borjomi National Park (not through the National Park itself) and is consistent with the intended use of this area. This corridor has been controversial because for 18 km it crosses the water catchment area for the Borjomula River that flows through the Borjomi mineral water park. Alternative routes to move the 18 kms of pipeline to the south were examined including variations of the Karakaia route including a tunneling option through the mountains. These options were not viable as they would pose major environmental issues in an area which is currently environmentally intact and inaccessible to induced impacts including illegal logging and poaching. Once the route was selected, the focus was then shifted to studying the site-specific conditions and designing protective measures to minimize spill risk.

NETHERLANDS COMMISSION FOR EIA (NCEIA)

The Netherlands Commission for Environmental Impact Assessment (NCEIA) was asked to advise Georgia's Minister of Environment on the Environmental and Social Impact Assessment (ESIA) for the Baku-Tbilisi-Ceyhan (BTC) Main Export Oil Pipeline and the

South Caucasus (SCP) Gas Pipeline. A report by the NCEIA of the BTC ESIA and ESIA Addendum was released on November 22, 2002. In this report, the NCEIA recommended that additional information be presented to determine if it is technically feasible to undertake construction of variations of the Karakaia ridge route including the southern flank or via tunneling. The October 15, 2003 report presents the NCEIA's conclusions after review of supplemental information. Though the report states clearly that the NCEIA "is not in a position to assess the geopolitical security of the two Karakaia routes, the Central and the Karakaia tunnel that crosses this district" the NCEIA fails to mention that they are also not assessing the environmental, social or safety parameters and have based their conclusions on one single parameter: engineering technical feasibility.

FINDINGS AND IFC RESPONSE

The NCEIA advisory review report (dated October 15, 2003) concludes:

1. *Alternative routes for Tskhratskaro and Kodiana pass sections* – "it is technically feasible to construct the proposed pipelines along the following two routes: (i) Karakaia ridge route and (ii) the Karakaia route on the southern flanks of the Karakaia massif. It is technically feasible to construct the Karakaia tunnel avoiding overland crossing of the Karakaia massif."

IFC Response - IFC agrees that it is technically feasible to construct one or more pipelines across the Karakaia ridge route and it might be technically feasible to construct one or more pipelines across the Southern flank route through dynamite blasting. However, these options would have the following negative ramifications on the local environment:

- open up access to illegal logging, grazing, poaching in an area that is currently environmentally intact because of lack of access (ridge and southern flank);
- destroy the viewscape of the Bakuriani bowl referred to by some NGO's as "Little Switzerland" (ridge);
- create an on-going situation of slope instability, reinstatement and maintenance issues for the life of the pipeline (ridge and southern flank);
- create large amounts of rock spoil that would need to be trucked somewhere else for ultimate disposal and thus would end up secondary impacts (ridge and southern flank);
- place the pipeline in an area that would be very difficult to ensure year-round access (ridge and southern flank);
- increase significantly the safety risk to personnel during construction (ridge); and
- doing the above would not resolve the residual risk surrounding oil being released to the Borjomula Catchment (ridge).

IFC agrees that it is technically feasible to construct the tunnel option through the Karakaia massif. However, this would have the following negative ramifications on the local environment:

- open up access to illegal logging, grazing, poaching in an area that is currently environmentally intact because of lack of access;
- create massive amounts of rock spoil that would need to be trucked somewhere else for ultimate disposal (estimated to be 20,000 truck trips) creating major secondary impacts;
- impact the natural drainage of the groundwater in the area during construction and possibly affect it permanently; and
- create an on-going situation of slope instability, reinstatement and maintenance issues for the life of the pipeline.

2. *Alternative route for the Lake Tsalka area* – “The commission concludes that a route south of Lake Tsalka has not been assessed in the Routing Report.”

IFC Response – The alternative south of Lake Tsalka was rejected earlier for a variety of reasons and thus this recommendation by the NCEIA in their November 2002 report was not one of the Continuing Activities attached to the permit from the Georgian Minister of Environment.

IFC CONCLUSION

IFC and the BTC Lenders Group independent technical and environmental consultants have examined these routing options and have concluded that when all parameters are examined none are acceptable alternatives to the modified central corridor for all of the above reasons.