

FACT SHEET ON BAKU-TBILISI-CEYHAN PIPELINE

Background

- The [Baku-Tbilisi-Ceyhan Pipeline](#) is a dedicated crude oil pipeline system, 1760 kilometers long, with a capacity of 1 million barrels per day. It will extend from the Azeri-Chirag-Deepwater Gunashli oil fields through Azerbaijan and Georgia to a terminal at Ceyhan on the Mediterranean coast of Turkey.
- IFC's investment in the BTC pipeline consists of a loan of \$125 million for its own account and a syndicated loan of \$125 million. The pipeline's total project cost is about \$3.6 billion.
- The ACG Phase 1 oil fields project involves the development of oil fields off Azerbaijan in the Caspian Sea. IFC's investment consists of loans of up to \$30 million for its own account and further loans of \$30 million in commercial syndication. The total project cost of ACG Phase 1 is about \$3.2 billion.

Economic Benefits and Revenue Management

- The projects will generate significant revenues. Azerbaijan is expected to generate \$29 billion in oil revenue over the next 20 years, when the ACG fields are fully developed. Pipeline transit revenue to Georgia is expected to be about \$580 million and Turkey is expected to earn \$3.4 billion from pipeline and terminal operations, transit fees, and upstream investments.
- The business agreements and revenue arrangements between the companies and governments involved have set new precedents in transparency. Revenue from the oil and gas projects in Azerbaijan will be placed in a state oil fund, developed through dialogue with the World Bank Group and IMF. The fund will be audited by the international firm of Ernst and Young and disclosed to the public.

Projects are Successfully Financed

- The financial closing for the ACG Phase 1 and BTC projects took place on February 3, 2004, with all lenders and sponsors agreeing to the final financing package.
- The first disbursement for the projects occurred in March 2004, upon which the lenders—including multilateral organizations, commercial banks, export credit agencies, and political risk insurers—began funding the projects' debt.

An Effective Monitoring Process

- Reflecting IFC's experience with similar projects, the BTC and ACG projects include ten layers of monitoring, four internal and six external. This monitoring will result in multiple reports being made public, significantly increasing the projects' transparency and accountability. IFC is committed to monitoring the projects over the life of the financing.
- Projects of such magnitude and complexity will encounter difficult issues on the ground, but keeping a sharp focus on monitoring has generally been effective in ensuring that key issues are identified and addressed quickly.
- The lenders' independent engineer is making a first technical oversight trip in May 2004. In addition, in February 2004, the independent three-member panel of the Social Resettlement Action Plan completed its second mission, and the independent environmental consultant completed its first mission to all three countries. Reports from these missions will be made available to the public, further increasing the projects' transparency and accountability.
- To carry out our monitoring responsibility, IFC staff are accompanying these missions. On-site verification is critical in allowing us to work with the sponsors to resolve issues quickly.

- BTC Co. is putting in place monitoring by nongovernmental organizations, expected mid-2004. This will enable civil society representation in the monitoring processes in all three host countries and help develop the capacity of national NGOs.

IFC Active on the Ground

In addition to environmental and social monitoring, IFC staff in Baku and Tbilisi are working to extend project benefits to other enterprises in the host countries. The following efforts are funded and being implemented, with others under discussion:

- Technical assistance targeted to 30 Azerbaijani SMEs that are potential suppliers, helping improve their ability to win long-term contracts.
- An energy efficiency/alternative energy project in parts of Azerbaijan and Georgia.
- A project in Georgia to help SMEs make locally developed technologies commercially viable.
- Support to SME suppliers in Turkey to enable local SMEs to win more contracts and business; this is modelled on the Enterprise Centre in Azerbaijan, which is based in regions where the BTC pipeline is being constructed.
- A project in Azerbaijan to train providers of business services to SMEs.
- Corporate governance and leasing operations in Georgia and Turkey through IFC's Private Enterprise Partnership.

Projects Bringing Benefits to Local Communities

- A [community investment program \(CIP\)](#) and a [environmental investment program \(EIP\)](#) are being implemented in affected villages in all three countries. Totaling \$37 million and designed in consultation with local communities and a range of other stakeholders, the projects are intended to deliver lasting benefits and encourage participation and contributions from local communities.
- The CIP targets income and employment creation, infrastructure, health and sanitation, capacity building, and agriculture. To implement the programs, BTC Co. has partnered with a number of international NGOs (including CARE and Save the Children) in Azerbaijan and Georgia and with local NGOs in Turkey.

Additional Resources

- [Caspian Development and Export](#)
- [BTC FAQ](#)
- [BTC Links](#)

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