

Baku – Tbilisi – Ceyhan Oil Pipeline Project

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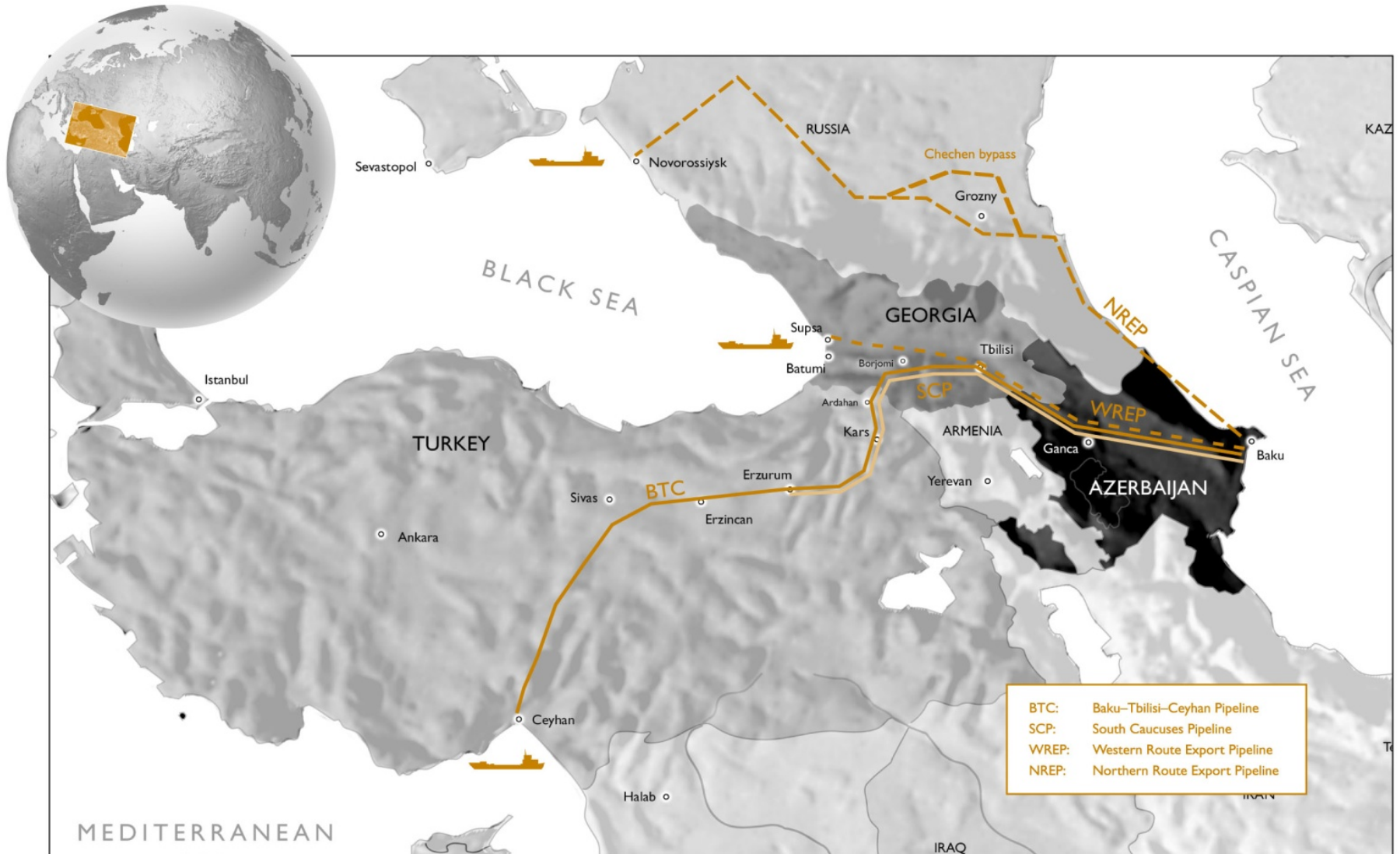


New Era of the Region

- After gaining the independence countries of the region started to look for their roles in the world
- First International Project funded by IFIs and Multinational Corporations
- First project setting standards in International Financing, Project Management and Environmental & Social Impact Management
- The pipeline project gives Turkey a new role as an energy hub connecting Central Asia - Caucasus to Europe



Baku Tbilisi Ceyahn – Oil Pipeline



Key Drivers of Baku – Tbilisi - Ceyhan Project

- Abundance of Hydrocarbon resources in the Region
- According to IEA Estimates 48 bln barrels of oil and 292 TCF of natural gas are proven and probable reserves of the Caspian sea Basin (EIA estimates that the Caspian Sea region produced an average of 2.6 million barrels per day of crude oil and lease condensate in 2012, around 3.4% of the total world supply)
- Rising oil prices of early 2000-s
- Strong international support for the development of the region
- **Urge of Georgia and Azerbaijan to open the window to the West**
 - Positive Economic Implications of the project, crossing through the backyard areas of the countries and its fiscal effect
 - Ecological pressure of Bosphorus

History of BTC Oil Pipeline

- The project was proposed in 1992
- The first document on the construction of the Baku–Tbilisi–Ceyhan pipeline was signed between Azerbaijan and Turkey on 9 March 1993 in Ankara
- The project gained momentum following the Ankara Declaration, adopted on 29 October 1998 by presidents of five countries: Azerbaijan, Georgia, Turkey, Kazakhstan and Uzbekistan
- Construction began in April 2003 and was completed in 2005
- On 25 May 2005, the pipeline was inaugurated at the Sangachal Terminal



Technical and Economic Features of BTC Oil Pipeline

- Pipeline starts at Sangachal near Baku in Azerbaijan, crosses Georgia and terminates at the Ceyhan Marine Terminal (Haydar Aliyev Terminal) on the south-eastern Mediterranean coast of Turkey
- Length - 1,768 kilometres
- At normal capacity it transports 1 million barrels per day
- The pipeline has a projected lifespan of 40 years
- The pipeline cost US\$3.9 billion
- The construction created 10,000 short-term jobs and the operation of the pipeline requires 1,000 long-term employees across a 40 year period
- 70% of the costs are funded by third parties, including the WB, EBRD, IFC, ECAs and a syndicate of 15 commercial banks

Owners and Operators of BTC

The pipeline is owned and operated by BTC Co, a consortium of 11 energy companies.

- BP (UK): 30.1%
- State Oil Company of Azerbaijan(SOCAR) : 25.00%
- Chevron (USA): 8.90%
- Statoil (Norway): 8.71%
- Türkiye Petrolleri Anonim Ortaklığı (TPAO) (Turkey: 6.53%)
- Eni (Italy): 5.00%
- Total (France): 5.0%



- Itochu (Japan): 3.4%
- Inpex (Japan): 2.50%
- ConocoPhillips (USA): 2.50%
- Hess Corp. (USA): 2.36%



International Significance of the Project

- Opening the gate to 1.2% of worlds oil consumption of the additional oil
- Diversification of oil supply from tightly concentrated range of production areas
- Opening to door to other transnational pipeline projects in the region
- Spreading the range of political influence of oil producing countries



- Reducing cost of crude oil transportation from the Caspian Region

Implications for the Caspian Region

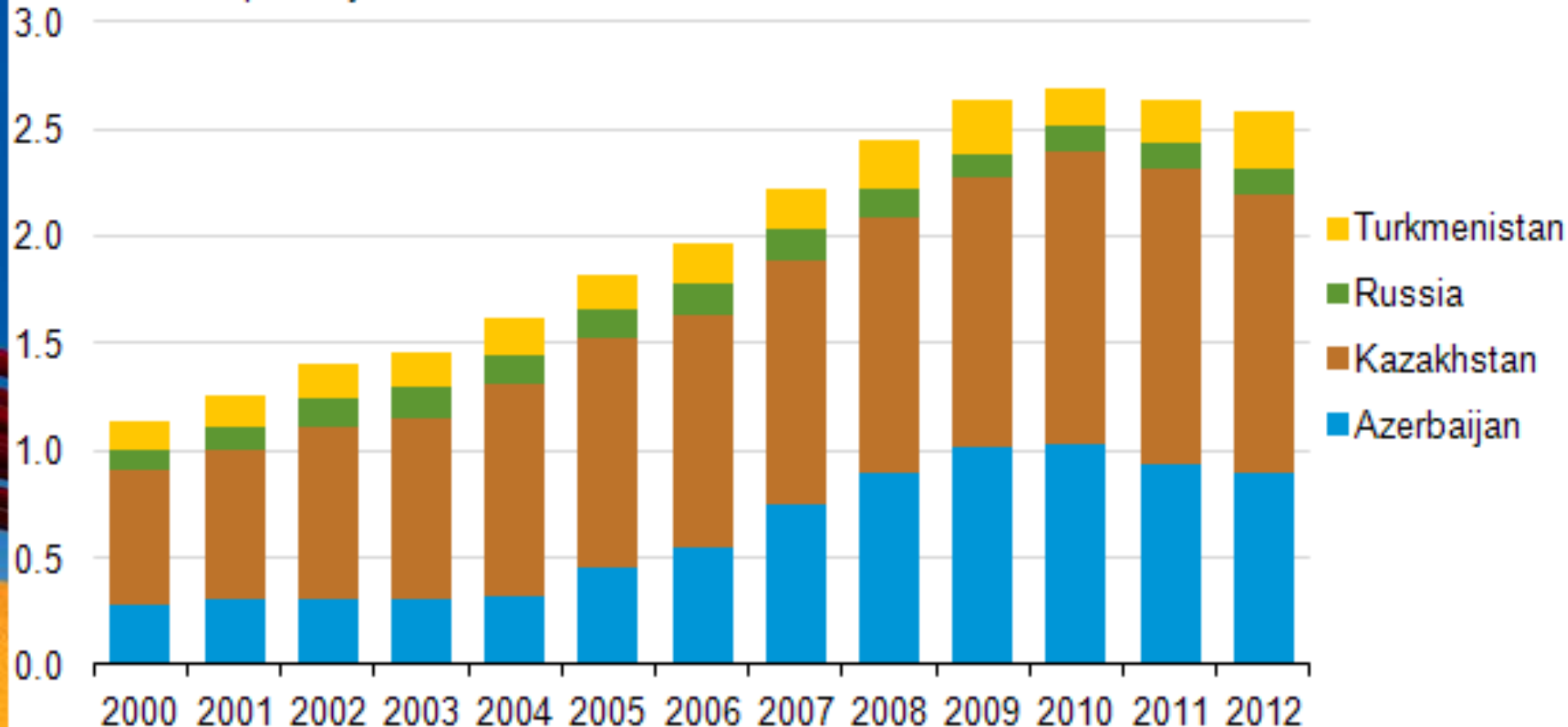
- International political significance of the Caspian Region
- Additional investments in the oil production (Azerbaijan – Azeri, Chirag and Deepwater Guneshli in Azerbaijan and additional stimulus to Kashagan in Kazakhstan)
- Boosting the growth of GDP
- Currently, there are close to 15,000 people employed in international companies in Azerbaijan, in oil and gas projects
- Introduction to new construction and oil extraction technologies to the region
- Significant reduction of tanker traffic in Bosphorus
- Initiation of environmental standards
- Payment of transit tariffs to Georgia (estimated US \$50-69 mln per annum)

The Project has Largest Impact on Azerbaijan's Oil Industry

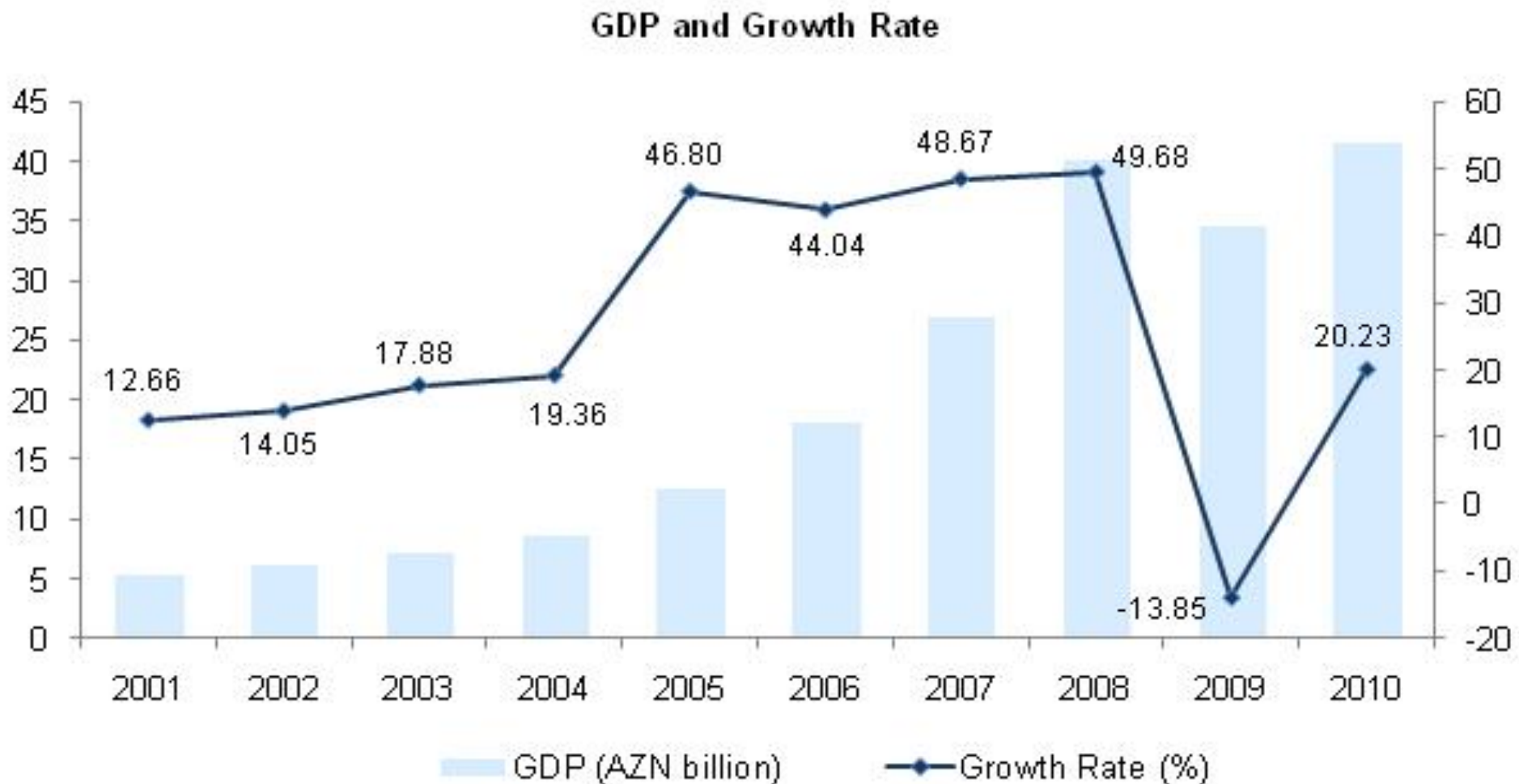
- Azerbaijan exported an estimated 738,000 bbl/d of crude oil in 2013. 80% of these exports goes through BTC Pipeline
- Most of the oil transported via the BTC is sourced at the ACG field, the Shah Deniz condensate and the Cheleken crude from Turkmenistan. It is also used to export small volumes of Kazakh oil, which travels by tanker across the Caspian Sea\
- Azerbaijan's GDP in 2006 grew by 46% in nominal terms (see the chart below)
- BTC allowed for exports of lighter and sweeter crude than Russia's Urals blend from the region

Oil Production in the Caspian Region, before and after the Project

Caspian Sea region oil production (2000-12)
million barrels per day



GDP and Growth Rate of Azerbaijan, before and after the Project



THANK YOU!

