

**25 June, 2002**

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Cc:

Mr. Peter Woicke, IFC.  
Mr. Motomichi Ikawa, MIGA  
Boards of Directors of all institutions

Dear Sirs,

Baku-T'blisi-Ceyhan Main Export Oil Pipeline Project - MDB and ECA involvement We are writing to you about the possible involvement of several International Financial Institutions (namely, the IFC, MIGA, EBRD, EIB and US Eximbank and OPIC, Japan Eximbank) in the

financing of the Baku-T'bilisi-Ceyhan Main Export Oil Pipeline Project (BTC) and to urge your institutions to impose a number of conditions on loan approval at the earliest possible stage of project appraisal.

As national, regional and international NGOs, we have been monitoring both the BTC project and wider oil and gas development in the Caspian region. From our research, we understand that the companies in the consortium are in a position to finance only 30% of the projected project costs out of their own budgets: the rest of the required \$3.3 billion is being sought from public lending institutions. Indeed, John Browne, chief executive of BP, which is leading the BTC Sponsor Group, is on record as saying the BTC project would not be possible unless " 'free public money' was offered by government to build the line." As we understand it, BP is likely to seek several hundreds of millions of dollars of such "free public money" from the EBRD, EIB and World Bank Group, as well as from Export Credit Agencies.

Although the BTC Sponsor Group has as yet to make a formal application for support from these IFIs, we understand that BP has had preliminary discussions with IFI staff and that applications for support will be submitted later this year. Significantly, Mr Woicke of the IFC recently informed NGOs at a meeting on 19th April 2002 that a preliminary assessment of possible project impacts is already being undertaken by three IFC experts in the region.

As you will know, the BTC pipeline is only a part of a much wider oil and gas development programme in the region, which includes the parallel Baku-Tbilisi-Erzurum gas pipeline to be laid in the same energy corridor; the off-shore oil and gas fields being developed in the Caspian Sea; and associated upstream and downstream terminals. In our view, the impacts of the BTC cannot be assessed in isolation from these wider developments.

We believe that the long-term developmental benefits of current oil and gas development in the region are questionable. We are therefore writing to express our grave concerns about the social, developmental, human rights, environmental and security impacts of regional oil and gas development in general and of the BTC pipeline in particular. These concerns are summarised below and amplified further in the accompanying Memorandum. They include:

- \* The failure to make available key documents, such as relevant production sharing and transit agreements, readily accessible to the public and to disclose studies that have been undertaken on the macro-level implications of the BTC project;
- \* The skewed distributional impacts of current oil and gas development in the region;
- \* The failure to produce a resettlement action plan, despite acknowledgments by BP that, in Georgia at least, some people will lose their entire livelihood to the BTC project;
- \* The failure to undertake a full and comprehensive assessment of the BTC project's impacts on ethnic minorities along the pipeline route;
- \* The lack of independent and effective oversight of the Azeri Oil fund;
- \* Concerns over corruption;

- \* Concerns over militarisation in the pipeline corridor and the potential of the BTC project to exacerbate conflict in the region; and

- \* The failure to assess the long-term climate implications of the BTC project.

We urge the International Financial Institutions that you leading to facilitate the immediate disclosure of the project related PSAs and TSAs for each of the three countries through which the BTC pipeline will pass. Furthermore, we urge the International Financial Institutions (IFIs) which have been approached with regard to support for the project to make any project approval conditional on:

- \* Disclosure of the macro-level impact studies undertaken by the project sponsors and their submission to a full and timely consultation exercise with interested parties;

- \* Compliance with the World Bank's Safeguard policies, in particular OD 4.20 (Indigenous Peoples) and OP 4.12 and BP 4.12 (Involuntary Resettlement);

- \* Independent oversight of the Azeri Oil Fund, including civil society representation;

- \* Independent verification that the contracts for the project were not obtained corruptly and the publication of the investigation's findings;

- \* Mandatory implementation of social programmes to supply local communities with sustainable and affordable sources of energy;

- \* Independent assessment of the security implications of the proposed pipeline and compliance with the World Bank's guidelines on projects in areas of conflict;

- \* The setting up of an International Advisory Group with guaranteed NGO representation on a self-elected basis;

- \* Full assessment of the long-term climate impacts of the project and its related oil and gas development programmes in the region;

- \* Full application of the UN ECE Convention on Environmental Impact Assessment in a Transboundary Context;

- \* Involvement of the Dutch Commission for Environmental Impact Assessment in the independent review of the ESIA's for the BTC project and the associated Baku-Tbilisi-Erzurum gas pipeline.

Finally, we would urge the IFIs to screen the proposed BTC pipeline and its associated oil and gas infrastructure projects for its social and development impact. We believe that the use of "free public money" cannot be justifiable unless the project is able to clearly demonstrate positive local and regional development impacts associated with the project over the next 30 years - which is the planned lifetime of the pipeline according to oil companies. One possibility would be a screening of the project under the IFC's new Sustainability Initiative.

Presidents, we believe that an early public commitment by the IFIs to imposing clear conditions on project approval, as outlined above, would lay the ground for a credible and transparent

assessment by the IFIs of all project impacts and alternatives in the long-term, including the "no-project" option. In our view, the lack of such a commitment would clearly signal an uncritical bias by the IFIs in favour of the project and a failure to have due regard to its undeniable long-term controversial development impacts.

We look forward to your prompt reply and remain sincerely yours.

1. Petr Hlobil, CEE Bankwatch Network
2. Kate Hampton, Friends of the Earth - International
3. Gunnar Boye Olesen, INFORSE-Europe
4. Mungeth Rashad Mehyar, FoE Middle East
5. Ali Eltari, President of Albanian Ecological Club-Nature, Albania
6. Alberto Roque Pedace, Amigos de la Tierra / FoE Argentina
7. Cam Walker, FoE Australia
8. Thomas Lackner, Global 2000 / FoE Austria
9. Michel Denayer, Les Amis de la Terre / FoE Belgium
10. Galina Georgieva, Ekoglasnost / FoE Bulgaria
11. Maria Samardjieva, Union of Parks & Landscape Specialists in Bulgaria
12. Petko Kovatchev, Centre for Environmental Information & Education, Bulgaria
13. Todor Todorov, Ecological Association "Demetra", Bulgaria
14. Anelia Stefanova, ZA ZEMIATA (For the Earth), Bulgaria
15. Pam Foster, Halifax Initiative Coalition, Canada
16. Isaac Rojas Ramirez, COECOceiba / FoE Costa Rica
17. Ales Kutak, Centre for Transport and Energy, Czech Republic
18. Pavel Pribyl, Hnutí Duha / FoE Czech Republic
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20. Sophia Sakhanberidze, FoE Georgia
21. Pavle Tsagareishvili, Environmental Information and sustainable development Center Rio, Georgia
22. Sofiko Akhobadze, Black Sea EcoAcademy, Georgia
23. Levan Metreveli, Georgian Public Health Association
24. Manana Kochladze, Green Alternatives, Georgia
25. Merab Barbakadze, Environmental Law Club, Georgia
26. Nana Janashia, Caucasus Environmental NGO Network (CENN), Georgia
27. Alexander Urushadze, Association NGO "ZELKOVA", Georgia
28. Marc Engelhardt, BUND / FoE Germany
29. Theo Andeson, FoE Ghana
30. Aldrin Calixte, COPHEDA / FoE Haiti
31. Juan Almandares, FoE Honduras
32. Robert Fidrich, Magyar Természetvédők Szövetsége / FoE Hungary
33. Teodora Donsz, ETK, Hungary
34. David O'Gorman, Earthwatch/ FoE Ireland
35. Antonio Tricarico, Campaign to reform the World Bank, Italy
36. Laura Radiconcini, Amici della Terra / FoE Italy
37. Ikuko Matsumoto, Friends of the Earth, Japan
38. Fanuel Tolo, Climate Network Africa, Kenya

39. Kerim Yildiz, Kurdish Human Rights Project
40. Igor Hadjamberdiev, NGO "For Civil Society", Kyrgyzstan
41. Kalia Moldogazieva, Human Development Center "Tree of Life", Kyrgyzstan
42. Rimantas Braziulis, Lithuanian Green Movement / FoE Lithuania
43. Saulius Piksrys, Community Atgaja, Lithuania
44. Ramunas Sabaliauskas, Environmental Club "Zvejone", Lithuania
45. Darius Ramancionis, Environmental club "Aukuras", Lithuania
46. Ana Colovic, Proaktiva, Macedonia
47. Hatip Iseini, Association for Democratic Initiatives ADI, Macedonia,
48. Aferdita Imeri, The STAR Network of World Learning, Macedonia
49. Meenakshi Raman, Sahabat Alam Malaysia / FoE Malaysia
50. Souleymane Dembele, GUAMINA / FoE Mali
51. Martin Galea De Giovanni, Moviment ghall-Ambjent / FoE Malta
52. Prakash Mani Sharma, Pro Public / FoE Nepal
53. Teo Wams, Milieudefensie / FoE Netherlands
54. Huub Scheele, BothENDS, The Netherlands
55. Sylvia Borren, Novib - Oxfam Netherlands
56. Sander van Bennekom, ANPED - Northern Alliance for Sustainability, The Netherlands
57. Erik Solheim, Norges Naturvernforbund / FoE Norway
58. Tore Killingland, Norges Naturvernforbund, Norway
59. Damien Ase, CELCOR / FoE Papua New Guinea
60. Oscar Rivas, Sobrevivencia / FoE Paraguay
61. Milag San Jose, LRC-KRK / FoE Philippines
62. Luís Galrao, Euronatura, Portugal
63. Maria Joao Pereira, Liga para a Proteccao da Natureza, Portugal
64. Roman Haucicek, FoE Slovakia
65. Peter Mihok, Center for Environmental Public Advocacy, Slovakia
66. Sergei Vorsin, Youth Ecological Center, Tajikistan
67. Nicholas Hildyard, The Corner House, UK
68. Sean Scannell, The Ilisu Dam Campaign, UK
69. James Marriott, Platform, UK
70. Yury Urbansky, National Ecological Centre of Ukraine
71. Pavel Khazan, Zelenyi Svit - Friends of the Earth Ukraine
72. Rosa Sugo, Climate Action Association, Uruguay
73. Carol Welch, Friends of the Earth US
74. Doug Norlen, Pacific Environment, USA
75. Patrick McCully, International Rivers Network, USA
76. Emilie Thenard, Centre for International Friends of Environmental Law, USA
77. Aaron Goldzimer, Environmental Defense, USA