

Presentation to the Brookings Institution Forum on the Baku-Tbilisi-Ceyhan Oil Pipeline
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Thank you to Brookings for organizing the forum and for the opportunity to present on the pipeline. Before getting to the specifics of the pipeline, I would like to address the issue of what has been called the “blockbuster benefits” of the pipeline, in that it avoids the Bosphorus Strait. Clearly there are serious environmental issues and hazards with shipping in the Turkish Straits. However the same international financial institutions that tout this environmental benefit are also financing oil terminal and port expansions on the Black Sea, presumably with a view to increased tanker traffic in the Black Sea and through the Straits. Kazakh oil production is expected to increase dramatically, the CPC pipeline capacity is set to increase, and there is talk of a second pipeline from Kazakhstan to the Black Sea. It appears that Caspian oil development in general will increase shipping through the Bosphorus.

Related to the issue of Kazakh oil production, it is looking more and more likely that Kazakh oil will be part of the Baku Ceyhan pipeline. The US government for example has recently convened meetings in London to bring together the three countries involved with BTC and the Kazakh government with a view to including Kazakh oil in this pipeline. Therefore a thorough and accurate assessment of the environmental impacts of the BTC pipeline should incorporate the impacts of including Kazakh oil. Such impact include, for example, the effects of additional tanker traffic on the Caspian Sea, the impacts of constructing a pipeline from Kazakhstan to connect to BTC, the risks of oil spills in the Caspian and laying out responsibility for spills.

Another overarching issue that is of grave concern to Friends of the Earth and our partners is the Host Government Agreement (HGA) that each country has signed with the consortium. The HGAs stipulate that the countries are not allowed to institute any new environmental or public health laws for the next 60 years. This would be akin to saying, for example, a British electric utility operating in the US would not be subject to future changes in Environmental Protection Agency regulations under the Clean Air Act. It ultimately binds the hands of three generations of citizens in the three countries to set the environmental and public health laws that they believe are necessary to protect themselves and their environment. I can't imagine we would ever accept that situation in this country, and companies should not pursue such policies overseas.

The HGAs also preclude the countries involved from seeking any punitive liability against damages caused by the pipeline companies and their contractors. Punitive liability is a strong deterrent for companies to behave in an irresponsible way, yet this legal option is closed off to these governments. The HGAs make it appear that even if the companies are grossly negligent or intentionally cause harm, they are still only liable for direct monetary damages. While the companies may currently be committed to behaving in an environmentally and socially responsible way, there is no way they can vouch for the next sixty years of management.

With the regard to the project's environmental documentation, the Environmental and Social Impact Assessments (ESIAs) highlight some of the main environmental concerns. For example, in Azerbaijan the pipeline crosses 21 major rivers, impacts a sensitive desert ecosystem in the Gobustan Cultural Reserve that will take at least ten years to be fully restored, and traverses unstable land with high seismic activity. In Georgia, there are six major river crossings in areas with unstable land prone to landslides and high seismic activity. The ESIA acknowledges permanent impacts to high value landscapes, including high value forests that support rare and endangered species, such as the brown bear and globally threatened Caucasian grouse. In Turkey issues include:

- traversing major fault lines;
- crossing six watersheds;
- over 500 endemic plant species found within the 500 meter corridor;
- 30% of Turkey's globally threatened vertebrates found within 250 meters of the corridor;
- two critically endangered plant species and 15 bird species with nesting pairs numbering 500 or less are within the corridor; and
- crossing two sites protected under national legislation, including a wildlife protection area for a global threatened species- the Caucasian grouse. The pipeline crosses this area because of the refusal to consider a more southerly route in Georgia to avoid the sensitive Borjomi region.

It is also worth noting that managing environmental issues in Turkey may be particularly difficult because of Turkey's lump sum turnkey agreement. The fact that Turkey must guarantee any costs overruns over its 1.308 billion lump sum is a strong incentive for the Turkish government and the state oil company to keep costs down. It is highly likely, despite whatever good intentions the government and the state oil company may have, that environmental management could be sacrificed. Turkey's ongoing economic difficulties increase the likelihood of this scenario turning to reality.

I alluded to the sensitive issue of Borjomi, which I would like to discuss further. The case of Borjomi seems illustrative of a modus operandi regarding this pipeline that it will be built at any cost.

Borjomi is an extremely sensitive issue from an environmental, social and economic point of view. The national park is the first national park in the Caucasus region, and it has significant growth potential for tourism. The region's mineral water industry is also Georgia's largest source of export earnings and is the largest employer in the region. Destroying the Borjomi region would cause profound social and economic dislocation.

Compounding this controversy, the Dutch Environmental Impact Assessment Commission found that alternative routes in the Borjomi region were not adequately explored, and the process for choosing the Borjomi route was not transparent. The route through Borjomi was least preferred route of the three routes the commission examined.

BP and the US government have both played very unhelpful roles in the Borjomi controversy. BP Azerbaijan President David Woodward wrote to the Georgian president saying that any other route than the one through Borjomi “is and will unacceptable,” prompting the Georgian environment minister to write to the head of BP telling him that BP is asking Georgia to violate its own environmental law.

The US government for its part has strong-armed the Georgian government, lobbying the government to approve the Borjomi route and threatening to block the implementation of other projects in Georgia if the Baku-Ceyhan project is delayed and another route proposed.

Proponents of protecting Borjomi aren't only “radical environmentalists.” The Georgian Glass and Mineral Water Company has decried the route through Borjomi and the potential impacts on its business. The Georgian Academy of Sciences' geologists question BP's geological studies, and WWF Georgia has said “WWF remains totally convinced [Borjomi] would be irreversibly damaged by any leakage of the pipeline... WWF .. is in total agreement with the Dutch Commission and the Georgian Academy of Sciences that BP/BTC has not carried out sufficient research and analysis of the impacts to justify putting a pipeline through this area.”

Given the helpful role that the Dutch EIA commission has played in contributing to the knowledge base and sparking public debate about Borjomi, the EIA commission should also be asked to review the Azeri and Turkish EIAs as well.

Given limited time, a few more brief comments: most people living along the pipeline route depend on basic agriculture for their livelihoods. The associated Shah Deniz gas pipeline will mean a longer time of exposed lands for digging and pipe laying. Digging the pipelines will subject these lands to erosion, diminish topsoil quality, and erode the seed bank. In the push to get BTC financed, the companies seem to have ignored the Shah Deniz pipeline, meaning that if they attempt to go back later the decline in soil quality and seed viability will be aggravated, with a potential negative impact for local livelihoods. The Reinstatement Plan seems not to have accounted for this.

Finally, the Environmental Investment Programme is envisioned as a “safety valve” for negative biodiversity impacts of the pipeline. But it appears to mainly be window dressing, rather than a plan aimed at avoidance of environmental threats. There is also not yet an environmental management and monitoring program in the public domain.

Thank you again for the opportunity to present these views.