

## FoE Visits the Project of the Century By Carol Welch

In June, I participated in an international fact-finding mission regarding a high-stakes, high-risk and highly controversial oil project: the Baku-Tbilisi-Ceyhan (BTC) pipeline.

This \$3 billion pipeline will transport crude oil over 1,000 miles, equal to the distance from New York to Miami, from the Caspian Sea through Azerbaijan, Georgia and Turkey for export to the United States and Europe.

After the Bush administration supported the project in last year's energy plan, both U.S. export credit agencies – the Export-Import Bank and the Overseas Private Investment Corporation – plan to finance it. Other public finance institutions, including both private sector divisions of the World Bank, are preparing loans and guarantees. The administration touts the project as a new source for energy and a boon to energy security.

However, the project is extremely risky. It will pass through mountainous terrain and socially unstable areas, including:

- Kurdish parts of Turkey, where human rights violations by the Turkish army against ethnic Kurdish populations have been documented.
- The forest buffer area of a national park in Georgia, potentially impacting threatened species and passing near the source of a natural spring water company, one of the only successful business enterprises in Georgia.
- Parts of both Azerbaijan and Georgia that are rich in cultural heritage, such as 40,000 year-old cave carvings in Azerbaijan.

In all of these countries, corruption is a serious problem, as is the lack of citizen participation in governance.

I participated in the fact-finding mission with six other representatives of environmental organizations to hear local people talk about their concerns, what they've been told by lead sponsor British Petroleum (BP) and what they've been promised by their government. Since institutions like the World Bank will be coordinating massive amounts of public (ie taxpayer) financing for the project, we wanted to find out if people want the project, and under what conditions.

The economic and social situation in the countries is shockingly bad. Unemployment is about 80 percent. Most people survive by tending small plots of land and a few animals – cows, goat and sheep. Most communities we visited have no gas or oil supply and electricity runs for only four or five hours a day. Electricity is very expensive, with some people spending half their income on utility bills.

The two issues we heard with most frequency were whether the pipeline will provide jobs (likely to be minimal and short-term) and whether they will get any of the supply (they will not). People were also very concerned about getting fair compensation for their land, which will be disrupted during construction. Many other communities near other

pipeline construction said their roads were destroyed by heavy construction vehicles and were not fixed by the oil companies afterward.

The oil company and the governments are touting the benefits of increased government revenues from taxes, transit fees and royalties. They contend that these revenues will translate into social programs. The company also says they will invest in community development.

However, people in local communities are extremely skeptical that they will see any benefit in their villages and contend that high-level corruption will keep the money in the pockets of influential people. In fact, in Azerbaijan the influence of the government is so pervasive and strong that few people agreed to go on record opposing the project, and local government officials wanted to accompany the fact-finding mission on all our community visits.

The World Bank contends that its involvement in the project will make it a better project. They say they will bring high standards, can work with the government to control corruption and will establish oil funds that monitor how the proceeds from oil are spent. Nevertheless, many communities perceive huge risks. “The pipeline should be built only if safe, but it is not possible to make it safe” one villager told us.

In Azerbaijan, however, the president appoints all the members of the oil fund oversight committee and has sole authority to decide how oil fund money is spent. In fact, he proposed to use the oil fund – which is supposed to be used for social programs – to finance part of the pipeline construction costs!

The oil companies, however, seem to have a different picture of World Bank involvement. John Browne, the head of BP, said that “free public money” from the international financial institutions was needed to make the project possible.

The financial viability of BTC has been questioned because the route is long and complicated. The return on the project is also dependent on finding enough oil in the Caspian Sea.

If Browne’s assessment is accurate, taxpayer monies are being used to make a questionable, high-risk project financially viable. Friends of the Earth wants to make sure that local people’s interests are not being ignored in the pursuit of profit by Big Oil, and we want to make sure that taxpayer monies are not being used to finance an economic and environmental boondoggle.