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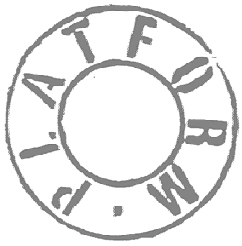

Once upon a pipeline

James Marriott and Greg Muttitt
New Internationalist magazine
November 2003

THE projected cost of the proposed Baku-Tbilisi-Ceyhan (BTC) pipeline is $3.6 billion. The current annual capital expenditure of BP, the leading partner in the proposed pipeline, is $19 billion. Consequently, BP could easily afford to finance the pipeline from its own resources. Why then has it endeavoured to finance it largely through public banks?

Mainly to reduce the political risk it faces from the project.

In November 1998 Sir John Browne, CEO of BP, stated that the BTC project would only be viable with the assistance of 'free public money'. Four-and-a-half years later the partners in the BTC Company, such as oil giants BP and Unocal, are intending to put up 30 per cent of the funding, with the remaining 70 per cent ($2.5 billion) to be provided in the form of loans.

The key lenders are likely to be the International Finance Corporation (IFC) – an arm of the World Bank – and the European Bank of Reconstruction and Development (EBRD). Both of these banks utilize public money. Coming in behind them will be export credit agencies from Britain, Italy, the US, Japan, France, the Netherlands and Germany, also assisting projects with public money. Finally come the commercial private banks.

The Baku-Tbilisi-Ceyhan (BTC) Pipeline

Length: 1,768 kilometres.

Countries traversed: From the oil reserves in the Caspian Sea the pipeline runs through Azerbaijan and Georgia to a tanker terminal on the coast of Turkey.

Proposed owners: BTC Co (BP, Statoil, ConnocoPhillips, Inpex, State Oil Company of Azerbaijan, Unocal, Turkish Petroleum, ENI, TotalFinaElf, Itochu, Delta Hess).

Contracted builders: Bechtel, Botas, Spie-Capag Petrofac (a subsidiary of AMEC) and four other main contractors.

Likely funders: International Finance Corporation, European Bank of Reconstruction and Development, commercial banks and export credit agencies.

Cost of building: $3.6 billion.

Volume of oil to be transported per day: 1 million barrels

Those urging the financial institutions to fund the pipeline argue that the current agreements will provide substantial transit fees and state funds for the countries through which it passes. The deal between BTC and the states mean that at the pipeline's operational peak Turkey will receive $100 million each year and Georgia $50 million.

Imagine an average day some time over the next 40 years. Oil on the International Petroleum Exchange in London might be trading at $25 a barrel. The value of the crude passing through BTC on that day would therefore be $25 million. This means that out of the 14,600 days that the oil flows through their countries, Turkey will receive in revenue the equivalent of 160 days of oil and Georgia will receive only 80.

Poverty alleviation and development are part of the mandates of the IFC and the EBRD. Yet the involvement of these banks will make it less likely that the states of Azerbaijan, Georgia or Turkey will at some point try to alter the terms of their current agreements – so unfavourable to them but so favourable to BP. The banks are able to refuse future loans or aid. So on the BTC pipeline, the World Bank has more muscle than BP alone to prevent future Georgian and Turkish Governments from saying: 'We want a better deal out of this pipeline. We want more money in return for the risk of having the oil pass through our land: more "transit fees".' Money that could help to rebuild Mehmet's village in Turkey, which was destroyed by war and is now lying in the pipeline corridor.

Meanwhile Azerbaijan will only get revenue from its offshore oil fields, and nothing from the pipeline crossing its territory. No wonder BP called its 1994 deal on the oil fields 'the Contract of the Century'. For Azerbaijan it means restricted revenue: revenue it could have used to help pay for food and housing for the two million

refugees from the country's war with Armenia. Revenue to help pay for health centres or schools. Funds to repair the gas system that in the Soviet period provided fuel and energy to villagers like Shalala but which now lies rusting in ruins.

THE MEN IN RED
A fable of corporate compensation from Azerbaijan

'They were here yesterday. Men in red suits. We tried to talk with them, but they wouldn't talk. They just stayed outside the fence and looked. They wouldn't talk, and then they went away.'

The elderly Shalala is tiny; she can't be much over five feet tall. Her small brown face is tightly hemmed in by an orange patterned headscarf tied under her chin. Her skin is deeply lined and her eyes are almost frantic as she explains to us what has happened. 'They are going to tunnel under the house and they won't give us any compensation.'

On the 443 kilometres of the pipeline in Azerbaijan the construction threatens to destroy houses at only two places. However, BP is desperate to say that nobody will be forced to resettle – to move just one person might alter the terms of the financing deal that the company is arranging with the International Finance Corporation. So here in the village of Qarabork the engineers from England come to consider how to pass the pipeline in a tunnel beneath the houses.

They first came a year ago. They said she'd have to move and that she'd get compensation. They brought a document in Azeri. She signed, but couldn't read it. Then she stopped growing her vegetables – her tomatoes and her potatoes.

Two months ago other men came. There were three of them: one was an Englishman, and one was a translator. They stayed two days, took measurements and photographs. Then they went too.

The house is a fine structure, two stories with eight rooms. It's wooden-built, raised off the ground on stilts. There's a veranda at the front. It stands in a garden of grass and fruit trees draped with a washing line. At the back is a large space where her vegetables grew and the fields beyond.

A hoopoe flaps across the yard. The sun is bright, but in the shade of the house it is cool. We stand talking with Shalala and her daughter, several friends and two children – a tiny baby girl in a fluorescent top and a boy of six or seven with a shaved head. Shalala was born in the village, but moved to this house when she married her husband 30 years ago. It was his house. They had two sons and a daughter. Her husband has died and likewise her eldest son, several years ago. So now she lives in the house with her daughter and her family.

Sixty-nine people in the village have got compensation for the land that's to be crossed by the pipeline, but she and two other households have got nothing. Now the municipality says the company will build a tunnel and their houses won't be affected: they won't have to move. But she doesn't want to live over a pipeline. She's frightened that the wood fire they use for cooking will cause a problem. She says her neighbour doesn't want to move and has told her: 'If the pipeline burns, I'll burn with it.'

In the garden we pace out the dimensions of the construction corridor: 44 metres in total. The entire garden and house are only 38 metres across. We can sense the pipeline like some vast steel serpent hurtling across the fields from the east, plunging deep beneath the houses, rising again beyond them and hurrying away towards Georgia. And the thought of that oil... one million barrels a day moving at two metres per second... flowing under the house at night by the quiet kitchen, the baby girl in her cot, Shalala asleep, her headscarf on the dresser beside her.

THE HIVE AND THE HARD DRIVE
A fable of corporate consultation from Eastern Turkey

Mehmet is a beekeeper in the Turkish village of Hacibayram. It is a village with many hives and no people.

Mehmet was born in Hacibayram. Like those he lived alongside, and those in generations before him, he worked the fields' pasture for livestock, meadows for hay and the flowers that feed the bees. Then the guerrillas from the PKK came and soldiers from the Turkish Army shortly after – another fragment of the war that raged in this region for 15 years. What followed is not clear, but every single person from the village left their homes and the buildings were deliberately destroyed.

Those who had lived for so long in Hacibayram were scattered. Some went to the cities, the shanties of Ankara and Istanbul, some to the nearby villages and towns. Mehmet settled in Tercan, six miles from Hacibayram. He travels back and forth to the deserted village each day, tending his hives. Sometimes he stays overnight in the ruins.

The map shows Hacibayram in the corridor of a new industrial project: the Baku-Tbilisi-Ceyhan Oil Pipeline. The thin black lines on the white paper of the map are spewed out from the belly of a computer hard drive, part of the Social Impact Assessment for the Baku-Ceyhan pipeline, produced by Environmental Resources Management (ERM) in London. ERM was contracted by BP in May 2000 to consult those who lived along the proposed pipeline route: to ask them their views, to reassure them of the benefits of the planned project.

The study was published in June 2002. Its careful detail reassures readers in the cities that time and attention have been given in the villages and fields. Its little 'T' marked on the map by Hacibayram indicates that here the consultation with villagers was carried out by telephone. Yet all the time the study was under way the village was in ruins. There were no telephones. There was no-one to answer them.

As Mehmet climbs along the roof among the hives, that 'T' lies buried in computers and CDs in the offices of ERM and BP. It is as though a huge funnel had sucked up the fields and the hay harvest, the ruins and the evictions, and concentrated them into one tiny byte of information. The noise of the bees, the breeze of the late afternoon, is translated into some new language, so that the eyes of those few who read it, glowing on a computer screen, can say 'yes!'