



**Meeting on Azeri Gas  
The Shah Deniz Project Summary  
(Presentation and Discussion)**

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The Shah Deniz partners are planning to export Azeri gas incrementally to Turkey starting the winter of 2002-2003. They estimate the entire Shah Deniz structure - roughly the size of Washington D.C. - to contain 400-800 bcm (billion cubic meters) of gas, which represents an export potential in the range 16-20 bcm of gas per year, for the life of the project.

The Shah Deniz partners are planning to use the existing pipeline structure in Azerbaijan to be able to make incremental decisions on the volumes. While there will be new pipelines laid in Georgia and Turkey, there will not be a need to build a big pipe all at once.

The Shah Deniz partners are planning to build the new pipeline along the same path as the Baku-Tbilisi-Ceyhan oil pipeline. As the operator of the Azerbaijani International Oil Consortium (AIOC), BP Amoco hopes to optimize any synergies between the two pipelines. They expect the host government agreement for the gas pipeline to be similar to the one reached among the three countries for the Baku-Tbilisi-Ceyhan oil pipeline. Moreover, BP Amoco's supportive position on the oil pipeline and TPAO's nine percent share in the Shah Deniz project, coupled with the cheap and timely delivery of Azeri gas, makes this project highly competitive.

BP Amoco plans to begin exporting Shah Deniz gas to Turkey by December 2002. However, the pipeline does not need to start by exporting 16 bcm of gas all at once to be profitable. Until large volumes of gas are produced, the first stage production of 5 bcm alone would make the pipeline profitable.

The Memorandum of Understanding signed between Azerbaijan, Georgia and Turkey during the OSCE Summit last November, states that once Azerbaijan is prepared to export gas, Turkey would be a buyer.

After first insisting that Azerbaijan only be a transit country for his gas, Turkmen President Saparmurat Niyavoz, recently agreed to an initial 5 bcm Azeri gas volume to be incorporated into TCP. This is a real opening for bringing the two projects together, but whether or not TCP will ultimately materialize depends on the volume and the structure of the project that will be worked out between Azerbaijan, Turkmenistan, and the companies.

BP Amoco is open to talking about cooperation with the Trans-Caspian project, as long as there is mutuality between the schemes, financially, technically and in the same time frame. They believe that eventually there may be only one big gas pipeline going from the Caspian to the Turkish border.

The Shah Deniz partners also plan to help Georgia with its energy shortage by early gas deliveries next winter. At this point, BP Amoco's target is getting gas to Georgia via the East-West corridor. They are not interested in going south to Iran or north through Russia, although, dialogue on energy projects will clearly continue with both of these countries.

The Shah Deniz partners are: BP Amoco (UK) 25.5 percent, Statoil (Norway) 25.5 percent, Elf (France) 10 percent, TPAO (Turkey) 9 percent, SOCAR (Azerbaijan) 10 percent, Lukagip (Russia/Italy) 10 percent, and OIEC (Iran) 10 percent.