

Project Summary Information (PSI)

Project No: 000011

Project Name	Trans Anatolian Natural Gas Pipeline Project (TANAP) To be co-financed with the World Bank (WB)
Country	Republic of Azerbaijan
Sector	Energy (Oil & Gas)
Project No	000011
Borrower	Southern Gas Corridor Joint Stock Company (SGC) Sovereign Guarantee by Republic of Azerbaijan
Implementation Agencies	TANAP Natural Gas Transmission Company
Environmental and Social Category	Category A
Date of PSI prepared or updated	15 November 2016
Estimated Date of Board Consideration	March 2017
Concept Decision	Approved

I. Introduction

As a part of the Southern Gas Corridor Program (the Program), the Trans-Anatolian Natural Gas Pipeline (TANAP) Project (the Project) will transport natural gas extracted from the Shah Deniz 2 field located in the Caspian Sea in Azerbaijan across Turkey and then to Europe. Turkey is the host country of the Project.

Because of the Program's strategic significance, AIIB with the World Bank Group, are supporting the Program with other international financial institutions (IFIs) including the Asian Development Bank (ADB), the European Bank for Reconstruction and Development (EBRD), and the European Investment Bank (EIB)

Turkey is an upper middle income country with a per capita income of approximately US\$ 10,000. Turkey's current economic growth is in the 3-4% range and is expected to remain in this same range (considered modest but solid) in medium term. Turkey's relationship with EU remains cordial. Turkey's geographical location is considered strategic as it is located in between the gas producers in the east (e.g. Azerbaijan) and the consumers in Europe.

Azerbaijan is a middle income country with a per capita income of approximately US\$ 6,700. Azerbaijan's GDP growth was around 1.1% in 2015 which has reduced significantly from the period 2002-2010 when growth averaged about 16% per year during the hydro carbon resource boom. As a consequence of recent low prices for oil, and the associated reduction in oil export revenues, the current account is expected to be in deficit for 2016. Fortunately, the declining oil revenue could be compensated by the increase in gas production which characterizes Azerbaijan's future energy exports.

The Southern Gas Corridor Program connects gas fields in Azerbaijan and transmits the gas through Georgia, Turkey, Greece and Albania to Italy. The program consists of several infrastructure projects aiming to improve the security and diversity of the energy supply of the Turkey and the European Union (EU) by bringing natural gas from the Caspian region to Europe for the first time. The TANAP project, a 1,850 km pipeline, represents 53% of the total 3,500 km of pipeline to be constructed under the Southern Gas Corridor Program.

Azerbaijan is one of the oldest oil producing countries in the world. The country has also been developing its natural gas sector rapidly over the past decade. Proven natural gas reserves are of the order of 1,000 bcm with the Shah Deniz field making up the largest share of these reserves. Azerbaijan produced about 18.8 bcm in 2014, primarily from Shah Deniz and Azeri-Chirag-Guneshli fields. Azerbaijan currently exports about 6.5 bcm/annum to Turkey which will almost double with the addition of 6 bcm/annum from TANAP. Revenues in Azerbaijan from gas production and transportation will be substantial, especially in light of declining oil production, and will enable the Government to enhance its asset base and sustain economic growth in the medium and long term.

II. Project Objectives and Expected Results

The project's development objectives are to: (a) integrate Azerbaijan with regional and European energy markets by strengthening its connectivity and transit role; (b) diversify Azerbaijan's gas export markets; and (c) to improve the energy supply security of Turkey and South Eastern Europe.

III. Project Description

The current project is the 1,850 km TANAP pipeline system running across Turkey to transport 16 bcm/annum of natural gas produced at Shah Deniz 2 field at Azerbaijan. Out of the 16 bcm/annum of natural gas transported through the project, Turkey will consume 6 bcm/annum and the remaining 10 bcm/annum has been contracted by several European gas traders for the South Eastern Europe market, mostly Italy. The pipeline up to the off-take point in Turkey will have a diameter of 56 inch; from off-take point in Turkey to the Greek border the diameter will be 48 inch except for two parallel 36 inch pipeline for the 18 km section crossing the Marmara Sea.

IV. Environmental and Social Category

The AIIB has decided to use the World Bank's (WB) Environmental and Social Safeguard Policies (ESSP) since (i) they are consistent with AIIB's Articles of Agreement and materially consistent with the provisions of AIIB's Environmental and Social Policy and relevant Environmental and Social Standards; and (ii) the monitoring procedures that the WB has in place to ascertain compliance with the WB ESSP are appropriate for the project. Under the WB ESSP, the project has been assigned Category A given the complexity of the project.

The executive summary of Environmental and Social Impact Assessment and the supporting Environmental and Social safeguard documents have been disclosed and posted on the following WB website:

<http://documents.worldbank.org/curated/en/937361470850514706/TANAP-projects-executive-summary-of-ESIA-and-supporting-environmental-and-social-safeguard-documents>

V. Estimated Project Cost and Financing Source

Co-financing would be with the World Bank (WB), who would be the lead co-financier. The WB's procurement policy and environmental and social safeguard policies (ESSP) and procedures would be used for the implementation of this project.

The project is estimated to cost US\$ 8.6 billion. The financing sources are expected to be as follows (in USD million):

Loans/Credits/Others	Amount
Borrower	2,100.00
AIIB	600.00
World Bank	800.00
Other IFIs (EBRD, EIB)	2,100.00
Other Commercial Borrowings	3,000.00
Total Project Cost	8,600.00

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