



Project Summary Information

Date of Document Preparation/Updating: 08/10/26	
Project Name	Azerbaijan Caspian Sea Desalination Project
Project Number	P001126
AIIB member	Azerbaijan
Sector/Subsector	Water/Water Supply
Alignment with AIIB's thematic priorities	Green infrastructure; Technology-enabled Infrastructure; Private Capital Mobilization
Status of Financing	Under Preparation
Objective	To enhance water supply and security through the financing of a seawater reverse osmosis ("SWRO") desalination plant with a capacity of 300,000 m ³ per day in Azerbaijan.
Project Description	The Project involves the development, construction, and operation of a seawater reverse osmosis desalination plant on the Caspian Sea (the "Plant"), with a planned production capacity of approximately 300,000 m³/day of Product Water. The Plant will be located in Sumgait Industrial Park on the Caspian Sea shoreline, occupying approximately 12.7 hectares areas. The site is equipped with connections to the electricity network and an electrical substation with sufficient capacity to meet the Project's power requirements during both construction and operation period. The Project will be Azerbaijan's first large-scale Caspian Sea SWRO desalination plant and the country's first public-private partnership (PPP) project in the water sector. The PPP Agreement ("PPPA") was signed in December 2025 between ACWA Power, as sponsor, and the Azerbaijan State Water Resources Agency of the Republic of Azerbaijan ("ADSEA"), as offtaker, for a 25-year term commencing from the Scheduled Project Commercial Operation Date ("SPCOD"). The Ministry of Finance of the Republic of Azerbaijan will backstop ADSEA's payment obligations during the operation period. ACWA Power is currently the sole sponsor of the Project. A special purpose vehicle ("SPV"), Caspian Sea Azerbaijan Project Company, has been established and will act as the Borrower.
Expected Results	Annual volume of desalinated drinking water delivered to the public water system (million m ³ per year)

Environmental and Social Category	B
Environmental and Social Information	Environmental and Social Policy and Categorization. AIIB's Environmental and Social Policy (ESP), including the Environmental and Social Standards (ESS) and the Environmental and Social Exclusion List (ESEL), applies to the Project. The Project will be parallel financing with other MDBs. AIIB has undertaken environmental and social due diligence (ESDD) against its ESP, ESEL, and applicable ESSs. The Project is categorized as Category B, as its environmental and social (E&S) risks and impacts, including marine risks and biodiversity impacts from seawater intake and brine discharge, contaminated land, and potential livelihood impacts, are site-specific, localized, reversible, and manageable through established mitigation and monitoring measures, with no significant adverse impacts on critical habitats, fishing-dependent livelihoods, or other sensitive receptors anticipated, as confirmed by the ESDD and consistent with the recommendations of both the Lenders' E&S Advisor (LESA) and the Independent E&S Consultant (IESC). The Cumulative Impact Assessment concludes that the Project's contribution to basin-wide Caspian Sea level decline is negligible and immaterial when compared with natural hydrological variability and climate change impacts. Environmental and Social Instruments. The Project Company has prepared, consulted upon and disclosed a site-specific final draft ESIA covering construction, commissioning, and operation. Extensive stakeholder consultations have been completed during ESIA preparation and planned stakeholder activities are reflected in the Stakeholder Engagement Plan (SEP). Associated facilities, including the access road, grid-energy supply station, and water distribution pipeline, covered by the ESIA/ESDD, and will undergo further screening once final designs are available, with proportionate mitigation, compensation, and livelihood restoration measures, as required. A set of construction E&S management plans (ESMPs) have been developed and being reviewed by LESA. An Environmental and Social Action Plan (ESAP) will address identified gaps related to outstanding construction- and operation-stage ESMPs, proportionate management plans for associated facilities, contaminated soil and groundwater management plans, biodiversity management plans and others to align the Project with lenders' requirements. Environmental Aspects. The Project's main environmental risks relate to marine construction works, operational discharges, and legacy contamination at the industrial site. During construction, installation of the approximately 2 km intake and outfall pipelines may temporarily affect seawater quality and disturb benthic habitats through sediment suspension and seabed disruption. These impacts are expected to be controlled through measures such as temporary silt curtains, and careful construction management. Noise and air emissions are anticipated to be short term and limited, with low likelihood of affecting sensitive receptors because the surrounding area is industrial in nature. The site also contains localized soil and groundwater contamination from previous industrial use. To avoid disturbance of such contaminated soils during the excavation of the main construction site, ACWA will cap affected areas with clean fill to achieve final site levels.

The completed biodiversity baseline survey and critical habitat assessment within ESIA confirmed that although the Project overlaps with the Caspian Seal IMMA, biodiversity impacts are expected to be localized and manageable, with no significant or irreversible adverse impacts on critical habitat values anticipated; accordingly, the ESIA mandates the implementation of a biodiversity action (BAP) and management plans (BMP), precautionary measures for selected species, and long-term marine biodiversity and water quality monitoring.

During operation, the primary environmental concern is the discharge of brine and other wastewater from the Seawater Reverse Osmosis plant, together with potential effects from seawater intake. Brine discharge is expected to create a localized zone of higher salinity and density near the outfall diffuser, which may alter near-bottom water quality and sediment conditions and affect benthic organisms close to the discharge point. Fish may temporarily avoid areas with elevated salinity or temperature. ACWA has designed an SWRO plant outfall configuration that facilitates immediate near-field dispersion of the brine discharge within several hundred meters, limiting the spatial extent of potential impacts on marine biodiversity. Species of conservation significance, including the Caspian Seal, may transit offshore but do not depend on the nearshore Project area as key habitat. Hazardous materials and wastes during both construction and operation should be managed in line with good international practice standards and clearly reflected in the ESMP's management plans. A cumulative impact study also concluded that the plant will not materially contribute to basin-scale changes in Caspian Sea water levels.

Social and Gender Aspects. The Project will be implemented on existing industrial land and does not require land acquisition; however, limited livelihood impacts associated with the Product Water Transmission Pipeline (PWTP) associated facility cannot be ruled out and will be managed through appropriate screening, compensation, and livelihood restoration measures in line with AIIB ESS2. No significant adverse impacts on fishing activities, access to fishing areas, or fishing dependent livelihoods are anticipated. The Project Company will develop and implement relevant actions on clear navigation measures, maritime security operations, environmental monitoring, livelihoods restoration, and community involvement to address any concerns related to fishing activities during construction and operation. Community health and safety risks are moderate and relate mainly to construction safety, traffic management, and emergency response. In addition, gender-related opportunities are expected to be modest due to the male-dominated nature of the sector, while GBV/SEA/SH risks are assessed as low and will be managed through existing prevention, reporting, and response measures, including confidential grievance channels and dedicated focal points.

Occupational Health and Safety (OHS), Labor and Working Conditions. Key OHS risks include work near water, diving operations, electrical works, working at heights, confined spaces, hazardous materials, hot works, heat stress, vehicle movements, and operation of heavy equipment. These risks are being managed through project design, the ESMP, and contractor OHS management plans, supported by ACWA's established E&S systems and oversight capacity. Site inspections confirmed adequate worker welfare, accommodation (in the process of construction), medical, security, and grievance arrangements, with labor influx risks assessed as low.

	Stakeholder Engagement, Consultation and Information Disclosure. A structured stakeholder engagement framework is in place, including public hearings, focus group discussions, and consultations with communities, fishermen, NGOs, and vulnerable groups, supported by a SEP that provides disclosure commitments, engagement methods, and timelines. Prior stakeholder consultations indicated broad community support while also identifying concerns regarding potential impacts on marine ecosystems and fishing activities, which are addressed through measures incorporated in ESMPs. The ESIA package has been disclosed in an appropriate and accessible manner, including a Non-Technical Summary in local language, on the Project Company's¹ and Bank's websites in line with AIIB disclosure requirements. Project Grievance Redress Mechanism (GRM). The Project Company has established GRMs for communities and project contracted workers with multiple submission channels, including anonymous and GBVH-specific reporting, supported by a tracking system and non-retaliation commitment. The GRMs include gender-sensitive procedures, with confidential and survivor-centered channels for gender-related grievances. The Project Company has also deployed a corporate digital worker grievance management system, operational since July 2026. The information about the established GRMs and AIIB's Project-affected People's Mechanism (PPM) will be timely disclosed in an appropriate manner. Monitoring Arrangements. The Client will submit E&S monitoring reports based on the agreed format semi-annually during the first two years of operation and annually afterward to ensure the Project's compliance with the ESAP and AIIB's ESP. The Bank will retain the rights to conduct field monitoring visits during Project implementation.			
Cost and Financing Plan	Estimated Project cost: USD431.5 million. AIIB senior secured loan up to USD45 million.			
Borrower	Caspian Sea Azerbaijan Project Company			
Sponsor	ACWA Power			
Estimated date of last disbursement (NSBF)	Q2 2029			
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¹ <https://acwapower.com/en/what-we-do/projects/caspian-seawater-desalination-project/>

Date of Concept Decision	05/22/26
Estimated Date of Appraisal Decision	August 2026
Estimated Date of Financing Approval	September 2026

Independent Accountability Mechanism	The Project-affected People's Mechanism (PPM) has been established by the AIIB to provide an opportunity for an independent and impartial review of submissions from Project-affected people who believe they have been or are likely to be adversely affected by AIIB's failure to implement its ESP in situations when their concerns cannot be addressed satisfactorily through Project-level GRMs or AIIB Management's processes. For information on how to make submissions to the PPM, please visit https://www.aiib.org/en/about-aiib/who-we-are/project-affected-peoples-mechanism/how-we-assist-you/index.html
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