

Public Disclosure Authorized

# OFFICIAL DOCUMENTS

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LOAN NUMBER 8859-TR

## Loan Agreement

(Turkey Gas Storage Expansion Project)

between

BORU HATLARI İLE PETROL TAŞIMA ANONİM ŞİRKETİ (BOTAS)

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated   JUNE 11  , 2018

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## LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between BORU HATLARI İLE PETROL TAŞIMA ANONİM ŞİRKETİ (BOTAŞ) (“BOTAŞ” or “Borrower”), a joint stock company established and operating under the Republic of Turkey and further defined in the Appendix to this Agreement, and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”). The Borrower and the Bank hereby agree as follows:

### ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

### ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of six hundred million Dollars (USD 600,000,000), as such amount may be converted from time to time through a Currency Conversion (“Loan”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.05. The interest rate is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.02 (e) of the General Conditions.
- 2.06. The Payment Dates are May 15 and November 15 in each year.
- 2.07. The principal amount of the Loan shall be repaid in accordance with Schedule 3 to this Agreement.



**ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objective of the Project. To this end, except as the Borrower, the Guarantor and the Bank shall otherwise agree, the Borrower shall ensure that the Project is carried out in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Event of Suspension consists of the following:

BOTAŞ's Articles of Association and any relevant legislation, governmental order, regulation or agreement that establishes the Borrower or that impacts its ability to carry out its obligations under this Agreement is introduced, amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Borrower's ability to perform any of its obligations under the Project.

- 4.02. Pursuant to Article VII, Section 7.02 (h) of the General Conditions, the Co-financing Deadline for the effectiveness of the Co-financing Agreement is December 31, 2018.

- 4.03. The Additional Event of Acceleration consists of the following:

Any event specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Bank to the Borrower.

**ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is the date one hundred twenty (120) days after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Borrower's Representative is its General Manager.

- 6.02. For purposes of Section 10.01 of the General Conditions:

- (a) the Borrower's address is:



Boru Hatları ile Petrol Taşıma Anonim Şirketi  
Bilkent Plaza, 4. Cadde  
A-2 Blok  
Bilkent 06800  
Ankara  
Republic of Turkey; and

(b) the Borrower's Electronic Address is:

Facsimile:

(90-312) 266-0733

(90-312) 266-0734

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America; and

(b) the Bank's Electronic Address is:

Telex:

Facsimile:

248423(MCI) or  
64145(MCI)

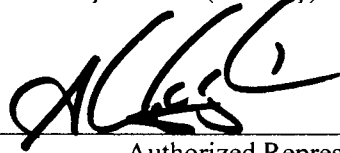
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AGREED as of the Signature Date.

BORU HATLARI İLE PETROL  
TAŞIMA ANONİM ŞİRKETİ (BOTAS)

By



Authorized Representative

Name: Abdulkadir Yurdacı

Title: Deputy General Manager

Date: 11 June 2018

By



Authorized Representative

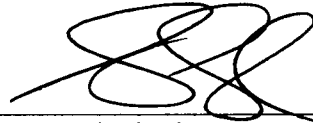
Name: BURHAN ÖZCAN

Title: GM

Date: 11.06.2018

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Johannes Zuff

Title: Country Director

Date: 11 June 2018

## SCHEDULE 1

### Project Description

The objective of the Project is to increase the reliability and security of gas supply in Turkey by expanding underground gas storage capacity in the country.

The Project consists of the following parts:

#### Part 1. Tuz Gölü Gas Storage Expansion Plant.

- A. Water and Brine Pipelines.
- (i) Construction of a water intake structure at the Hirfanlı Dam.
  - (ii) Construction of a fresh water supply line from the Hirfanlı Dam reservoir to the Project Site with valves, pumping stations, and storage tanks.
  - (iii) Construction of a brine discharge line with valves and a diffuser from the Project Site to the Tuz Gölü lake.
- B. Subsurface Facilities.
- (i) Drilling and leaching of 40 caverns with an option for up to eight 8 spare caverns, to store at least 4.0 billion cubic meters of working natural gas.
  - (ii) Carrying out of the following activities for each cavern covered under Part 1.B (i) of the Project: (a) snubbing; (b) testing cavern integrity and gas tightness; (c) first gas filling for each cavern; (d) provision of Cushion Gas; (e) commissioning of each cavern; and (f) operation of the facilities.
- C. Surface Facilities.
- (i) Connection of the Borrower's existing surface facility for the leaching of a subset of the 40 caverns referred to in Part 1.B (i) of the Project.
  - (ii) Construction of a new surface facility for the leaching of the remaining of the 40 caverns referred to in Part 1.B (i) of the Project, including construction of a station inlet-outlet line with pigging facilities, filters, gas flow metering units, gas turbines,



heat exchangers, water separators, heating and pressure reducing units, glycol gas absorber and regeneration units, and utilities.

- (iii) Construction of a connection pipeline between the existing and new surface facilities for first gas filling, operation and maintenance.
- (iv) Construction of a gas transmission line to connect the facility to the Borrower's Kayseri-Konya-Seydişehir gas pipeline and national gas grid at Bozcamahmut.

D. Electricity Supply.

Construction of: (i) electricity transmission lines and power supply for water pumping stations, surface, and sub-surface facilities; and (ii) uninterruptible power supply systems for critical processes.

E. Instrumentation, Control, and Telecommunication Systems.

Provision of: (i) a Supervisory Control and Data Acquisition ("SCADA") system for the water supply and brine discharge lines; (ii) a SCADA system for the surface facilities; and (iii) communication tools to enable the SCADA system established at the Tuz Gölü Gas Storage Expansion Plant to communicate with the Borrower's general SCADA system in Ankara.

F. Contractor Services.

Provision of management services, including: (i) fulfillment of planning, coordination, administration, reporting, and security requirements; (ii) development and implementation of detailed design and engineering; (iii) carrying out of Project procurement; (iv) carrying out of installation services; (v) provision of testing and inspection services; (vi) commissioning and operational acceptance; and (vii) carrying out of training of the Borrower's personnel.

**Part 2. Construction Supervision.**

Carrying out of the following activities:

- A. Review, and provision of support to facilitate the Borrower's approval of, detailed engineering drawings and for supervision of the facility construction and installations covered under Part 1 of the Project;

- B. Inspect and test the materials, plant and equipment covered under Part 1 of the Project, both during the facilities' construction and installation phases; and
- C. Develop and implement the overall Project quality assurance and quality control program.

**Part 3. Environmental and Social Impact Assessment (“ESIA”) and Resettlement Action Plan (“RAP”) Monitoring.**

Carrying out of regular monitoring of Project activities to ensure proper compliance with the ESIA and the RAP(s), in accordance with the Environmental and Social Management Plan (“ESMP”) and the Resettlement Policy Framework (“RPF”).



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

The Borrower shall:

- (a) maintain, until Project Completion, the Project Management Unit ("PMU"), to be responsible for coordinating and supervising Project implementation;
- (b) ensure that the PMU functions at all times in a manner and with staffing, budgetary resources, and authority necessary and appropriate for satisfactory Project implementation, and all of which shall be acceptable to the Bank; and
- (c) ensure the provision of efficient and effective technical and administrative support to the PMU from other specialized units of the Borrower.

##### B. Safeguards.

1. Without limitation to the provisions of Section 5.01 of the General Conditions, the Borrower shall carry out the Project in accordance with the provisions and recommendations of the ESIA and the RPF, and to this end, shall maintain throughout Project implementation, dedicated teams to, respectively, (a) ensure the Project's compliance with the ESIA, and (b) carry out any acquisition of land required under the Project in accordance with the RPF and the RAP(s) to be prepared by the Borrower subsequently, all of which shall be acceptable to the Bank.
2. The Borrower shall ensure that: (a) any contractors carrying out the Project shall perform their work in accordance with the technical and environmental practices applicable to the Project, as set forth in the ESIA and the RPF, and under terms of reference and with qualifications and experience necessary to satisfactorily carry out the design and construction of the Project, and all of which shall be acceptable to the Bank; and (b) ensure that any contracts for civil works under the Project include Codes of Conduct in form and substance acceptable to the Bank.



3. The Borrower shall:
  - (a) take all necessary actions to minimize, to the extent possible, any Involuntary Resettlement, in carrying out the Project; and
  - (b) for this purpose, whenever implementation of Project activities would give rise to Involuntary Resettlement with respect to civil works related to said activities: (i) prepare the RAP(s) for sites where pre-screening has identified Involuntary Resettlement impacts, in accordance with the principles and procedures set forth in the RPF; (ii) thereafter, provide said RAP(s) to the Bank for review; and (iii) commence and implement such works only after completing implementation of the relevant parts of the RAP(s) as shall have been accepted by the Bank as being satisfactory.
4. The Borrower shall ensure that the ESIA, the RPF, and any RAP(s), and any provision thereof, shall not be amended, suspended, abrogated, terminated or waived or permitted to be amended, suspended, abrogated, terminated or waived, except with the prior written consent of the Bank.
5. The Borrower shall ensure, in relation to any Involuntary Resettlements under the Project, the payment of all expenditures and any other related payments referenced under the RAP(s).
6. The Borrower shall:
  - (a) ensure that site or unit specific environmental and social evaluation or assessment reports for the camp sites, access roads, electricity transmission lines, wells, above ground installations, or any other units, which are defined and updated after the design works, are prepared and completed by the contractor in a manner acceptable to the Bank;
  - (b) ensure that, in case of any change of routing of the pipelines (including the freshwater pipeline, brine discharge line, or natural gas connection line) that the relevant sections of the ESIA are updated in a manner acceptable to the Bank;
  - (c) update the hazard identification and hazard operability sections of the ESIA as soon as the detailed design works are complete in a manner acceptable to the Bank;
  - (d) complete the environmental and social management system by including all sub-management plans to be prepared by the Borrower and by the contractor as defined in the ESIA in a manner acceptable to the Bank; and

- (e) cause the ESIA and RAP monitoring consultant to prepare quarterly ESIA and RAP monitoring reports acceptable to the Bank for the purpose of independently monitoring the Project's compliance with the terms of the ESIA and RPF, and to provide said reports, simultaneously, to each the Borrower and the Bank in a timely manner.
7. The Borrower shall maintain, throughout Project implementation, and publicize the availability of a Project feedback and grievance redress mechanism, in form and substance satisfactory to the Bank, to hear and determine fairly and in good faith all feedback and complaints raised in relation to the Project, and take all measures necessary to implement the determinations made by said feedback and grievance redress mechanism, in a manner satisfactory to the Bank.
8. The Borrower shall:
- (a) as soon as reasonably practicable, but no later than five (5) calendar days after the occurrence of a Significant Event, inform the Bank by any electronic means of the nature of the incident, accident, or circumstance and any effect or impact (whether on-site or off-site) resulting or likely to result there from;
  - (b) as soon as reasonably practicable, but no later than thirty (30) days after such Significant Event, provide the Bank with a summary report that includes a description of such Significant Event, and the measures, if any, that the Borrower is taking or plans to take to address such Significant Event and to prevent any future similar event; and
  - (c) keep the Bank informed of the on-going implementation of the said measures and plans.

**C. Safety of Dams.**

1. No later than six (6) months after the Effective Date, and in any event prior to the commencement of Part 1.A (i) of the Project, the Borrower shall be in receipt, and ensure the Bank's receipt, from the State Hydraulic Works ("DSI") an Emergency Action Plan for the Hirfanlı Reservoir Dam, all in form and substance satisfactory to the Bank.
2. The Borrower shall take all reasonable measures, including coordinating with all relevant parties, to ensure that:
- (a) the Emergency Action Plan and the Operation and Maintenance Plan, including for dam safety monitoring as upgraded in 2017, for the Hirfanlı Reservoir Dam, is properly maintained and implemented, with due diligence and efficiency, in a manner satisfactory to the Bank; and

- (b) the Bank is appropriately informed of the implementation progress of said plans.

**D. Construction Supervision and ESIA And RAP Monitoring.**

For the purposes of construction supervision and ESIA and RAP monitoring, respectively covered under Parts 2 and 3 of the Project, the Borrower shall retain the related consulting services until Project Completion.

**Section II. Project Monitoring Reporting and Evaluation**

The Borrower shall furnish to the Bank each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.



**Section III. Withdrawal of Loan Proceeds**

**A. General.**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Borrower may withdraw the proceeds of the Loan to: (a) finance Eligible Expenditures; (b) pay (i) the Front-end Fee, and (ii) each Interest Rate Cap or Interest Rate Collar premium; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in USD)</b>	<b>Percentage of Expenditures to be financed (exclusive of VAT)</b>
(1) Goods, works, non-consulting services, and consulting services for the Project, except Part 1.B (ii) (d) of the Project.	598,500,000	50%
(2) Front-end Fee	1,500,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 4.05 (c) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>600,000,000</b>	

**B. Withdrawal Conditions; Withdrawal Period.**

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date.
2. The Closing Date is October 31, 2024.

**SCHEDULE 3**

**Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”).

**Level Principal Repayments**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each May 15 and November 15 Beginning November 15, 2025 through May 15, 2040	3.23%
On November 15, 2040	3.10%



## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006, and revised in January 2011 and as of July 1, 2016.
2. “BOTAŞ” means Boru Hatları ile Petrol Taşıma A.Ş., a joint stock company established as a state economic enterprise and operating pursuant to Articles of Association published in the Official Gazette dated April 17, 1995.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Codes of Conduct” means the codes of conduct referred to in Section 1.B.2 (b) of Schedule 2, detailing, *inter alia*, measures on environment, health and safety, and preventing and responding to matters of violence (e.g., gender-based, and against minors).
5. “Co-financier” means the Asian Infrastructure Investment Bank.
6. “Co-financing” means, for purposes of paragraph 16 of the Appendix to the General Conditions, an amount of six hundred million Dollars (USD 600,000,000) to be provided by the Co-financier to assist in financing the Project.
7. “Co-financing Agreement” means the agreement to be entered into between the Borrower and the Co-financier providing for the Co-financing.
8. “Cushion Gas” means the volume of natural gas necessary for maintaining the integrity of the storage caverns to be formed under Part 1 of the Project and to be retained within the caverns throughout the life of the storage facility.
9. “DSI” means Devlet Su İşleri, the State Hydraulic Works of the Guarantor.
10. “Emergency Action Plan” means the plan specifying, *inter alia*, the emergency preparedness responsibilities, arrangements, measures and procedures (including the roles and responsibilities of relevant parties, the detection and evaluation of potentially arising dam safety issues, remedial measures, and notification procedures), prepared by DSI, acceptable to the Bank, referred to in Section I.C.1 of Schedule 2 to this Agreement, as said plan may be amended from time to time with the Bank’s prior written approval.



11. “Environmental and Social Impact Assessment” or “ESIA” means the said document for the Project disclosed on the Borrower’s website on March 24, 2018, and disclosed through the Bank’s external website on March 27, 2018, that includes, but is not limited to, (a) an environmental and social management system, (b) an Environmental and Social Management Plan, (c) a commitments register, (d) a stakeholder engagement plan, (e) the RPF, and (f) sub-management plans (to be updated by the contractor after design studies), all such documents as defined in this Annex and found acceptable to the Bank, and as such documents may be amended from time to time.
12. “Environmental and Social Management Plan” or “ESMP” means the plan adopted by the Borrower pursuant to the ESIA, in respect of activities to be carried out by the Borrower under the Project; such plan defines the detailed measures to manage potential environmental and social risks and mitigate, reduce and/or offset adverse environmental and social impacts associated with the implementation of said activities under the Project, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms, as the same may be amended and supplemented from time to time.
13. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Investment Project Financing”, dated July 14, 2017.
14. “Guarantor” means the Republic of Turkey.
15. “Involuntary Resettlement” means any direct economic and social impact caused by: (a) the involuntary taking of land resulting in (i) relocation or loss of shelter, (ii) loss of assets or access to assets, and (iii) loss of income sources or means of livelihood, whether or not the affected persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such person.
16. “Operation and Maintenance Plan” means the plan upgraded by DSI in 2017, acceptable to the Bank, referred to in Section I.C.2 of Schedule 2 to this Agreement, as said plan may be amended from time to time with the Bank’s prior written approval.
17. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
18. “Project Completion” means the full commissioning of the activities under Part 1 of the Project and the respective defects liability period.





19. "Project Management Unit" or "PMU" means the Project management unit of the Borrower, referred to in Section I.A of Schedule 2, or any legal successor to such unit.
20. "Project Site" means the area 39 kilometers south of Tuz Gölü at Tömü plateau within the boundaries of Sultanhanı district in the Aksaray province where the surface facilities and subsurface facilities for the Project will be located.
21. "Resettlement Action Plan" and "RAP" mean a site-specific resettlement action plan relating to land acquisition and/or resettlement or economic displacement of persons, as the case may be, prepared in accordance with the RPF and the provisions of Section I.B.3 (b) of Schedule 2 to this Agreement and acceptable to the Bank.
22. "Resettlement Policy Framework" or "RPF" means the Resettlement Policy Framework prepared by the Borrower and disclosed in the Borrower's website on March 23, 2018, and the Bank's website on March 27, 2018, which framework sets out the policies and procedures for land acquisition, resettlement, compensation, preparation of resettlement action plans therefor, consultation, disclosure, grievance redress, and monitoring and reporting during Project implementation, as said framework may be revised from time to time with the prior agreement of the Bank.
23. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to "the date of the Loan Agreement" in the General Conditions.
24. "Significant Event" means: (a) any significant social, labor, health and safety, security or environmental incident, accident, or circumstance involving the Project, including, without limitation, explosions, spills, and any workplace accidents that result in death, serious or multiple injury, material pollution, or any violent labor unrest or dispute between the Borrower or security forces (assigned to protect the Project) and local communities; or (b) any other event or circumstance having, or which could reasonably be expected to have, a material adverse effect on the implementation or operation of the Project in accordance with the ESMF.
25. "Supervisory Control and Data Acquisition" or "SCADA" means a category of software application program for process control, and the gathering of data in real time from remote locations to control equipment and conditions.
26. "VAT" means value added tax.

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