

Baku-Tbilisi-Ceyhan Oil Pipeline
Human Rights, Social and Environmental
Impacts
Georgia and Turkey Sections

Preliminary Report of Fact Finding Mission

16-21 September 2005

CONTENTS

1	Background	3
2	Differences observed in Georgia vis-à-vis Turkey	5
3	Major findings in Turkey	6
4	Major findings in Georgia	7
5	Specific findings in Turkey	8
	A Intimidation	8
	B Compensation	8
	C Community Investment Programme	9
	D European Court Cases	10
6	Specific findings in Georgia	11
	A Compensation	11
	B ESIA Enforcement	11
	C Damage & Repairs	11
	D Heritage Sites	12
	E Information on Risks	12
	F Grievance Mechanisms	12
	G Intimidation	13
	H Pipeline Safety	13
7	Conclusion	14
8	Appendix	15

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1 Background

- 1.1 This report constitutes the preliminary findings of an international Fact-Finding Mission (FFM) that travelled to Georgia and Turkey from September 16-21 2005 to investigate impacts of the Baku-Tbilisi-Ceyhan (BTC) oil pipeline project. The FFM, consisting of representatives of the Kurdish Human Rights Project (UK), The Corner House (UK), PLATFORM (UK), Green Alternative (GE), Urgewald (DE), Centre for Civic Initiatives (AZ), The Committee of Oil Industry Workers' Rights Protection (AZ), CEE Bankwatch Network and a UK barrister, conducted interviews in towns and villages between Tbilisi (Georgia) and Ardahan (Turkey).
- 1.2 This is the fifth FFM to visit the Turkish areas and the fourth in Georgia; it returned to several villages visited during previous FFMs to examine developments and progress on problems encountered earlier. Field visits were undertaken in the Tetrtskaro, Borjomi and Akhaltsikhe Districts in Georgia, and Posof, Ardahan and Damal Districts in Turkey.
- 1.3 The BTC pipeline is scheduled to be officially launched and fully operational by December 2005. Operated by BP, the BTC Consortium also includes SOCAR, Unocal, Statoil, Turkish Petroleum, ENI, TotalFinaElf, Itochu, Inpex, ConocoPhillips and Delta Hess. Designed to bring oil from the Caspian Sea oilfields to Western markets, funding was received from the International Financial Corporation (IFC) of the World Bank Group and the European Bank for Reconstruction and Development (EBRD) as well as national export-credit agencies of the UK, USA, Germany, Japan, Italy and France. Private investment came from 15 banks including ABN Amro, the Royal Bank of Scotland, Mizuho, Societe Generale, WestLB, HVB and Citigroup.
- 1.4 The construction and financing of the pipeline has provoked major concerns within the international human rights and environmental movements. The official launch will not mark the end of the controversy. The natural gas South Caucasus Pipeline (SCP) continues to be built parallel to BTC by the same

consortium of companies, accompanied by many similar abuses and violations. Furthermore, the oil will flow through BTC for a minimum period of forty years. During this time the pipeline will continue to impact the lives of those living above and around it. At a meeting in Georgia on 14-15 September 2005, international and regional NGOs committed to continuing monitoring until the problems identified have been resolved and redressed.

2 Differences observed in Georgia vis-à-vis Turkey

- 2.1 The details of the land expropriation system varied heavily between the two countries. While in Georgia a 44m-wide corridor was purchased for three years, in Turkey 20m were leased for three years and 8m purchased freehold.
- 2.2 While land compensation payments were inadequate and below market value in both countries, they were for land were significantly lower in Turkey.
- 2.3 The different geography brings greater risks of landslides and water pollution in Georgia.
- 2.4 Alongside agriculture, non-agricultural sources of income were severely threatened in Georgia, including tourism and mineral water export.
- 2.5 Reports of discrimination against ethnic and religion minorities (primarily Alevis and Kurds) were prevalent in Turkey, but negligible in Georgia.
- 2.6 The SCP connector pipe in Turkey has been built in a separate corridor, in many areas 150m or more distant from the BTC oil pipeline, not within the same 44m corridor as in Georgia.
- 2.7 Turkish state intimidation and harassment is more intense than in Georgia, and linked more directly to criticism of BTC.

3 Major findings in Turkey

- 3.1 The problems identified by last year's FFM in the Ardahan region have still not been addressed or resolved. *see appendix*
- 3.2 Freedom of speech in the region remains restricted. Those criticising BTC risk harassment and repression.
- 3.3 Landowners in Turkey received significantly lower levels of compensation than in Georgia and Azerbaijan.
- 3.4 Villagers reported that compensation for lost crops was paid for one year only, yet their land has not been reinstated yet as promised and they have not been able to use their land for a second year. The resulting loss of income has not been compensated.
- 3.5 The levels of compensation for acquired land in the 8m corridor continue to be disputed.
- 3.6 Users of community lands were not compensated for expropriation, as payments went to state agencies.
- 3.7 Many village residents complained that damage caused through construction was neither compensated nor repaired.
- 3.8 Promises made under the Community Investment Programme have not materialised.
- 3.9 Where community investments have been undertaken, they have often proven ineffective or damaging to local incomes.
- 3.10 In many villages the community investment programme does not accord with the priorities of the villagers.
- 3.11 Promises to employ local people have not materialised in villages visited. Religious and ethnic minority discrimination issues were also raised.
- 3.12 There are a number of applications before the European Court of Human Rights regarding violations of villagers' rights by the project developers. These centre on lack of consultation, failure to provide adequate compensation and inadequate or misleading legal advice.

- 3.13 The FFM received enquiries from a number of possible new applicants to the European Court of Human Rights in relation to the oil and natural gas pipelines.

4 Major findings in Georgia

- 4.1 The problems identified by last year's FFM in the Borjomi and Akhaltsikhe regions have not been addressed or resolved. *see appendix*
- 4.2 BTC Co/BP officials were quoted as threatening and blackmailing villagers to dissuade them from demonstrating.
- 4.3 Numerous failures appeared in the land compensation process, including during classification, registration, land inventory, pipeline rerouting and widening of the corridor.
- 4.4 Dissatisfaction existed on how Community Investment Program monies were being spent.
- 4.5 Promises to employ local people had not materialised.
- 4.6 Commitments under the Environmental and Social Impact Assessment undertakings continue not to be enforced.
- 4.7 All villages complained that damage caused during construction was neither compensated for nor repaired. This has led to severe income and property losses.
- 4.8 Damage to important heritage sites was not dealt with and continues.
- 4.9 Communities received inadequate information on risks during construction.
- 4.10 BTC Co and IFC-CAO grievance mechanisms have not provided adequate means to seek redress. This is compounded by BTC Co intransigence and CAO lack of powers.
- 4.11 BTC Co, their subcontractors and the Georgian government repeatedly attempted to avoid responsibility by referring complainants to one another.
- 4.12 Technical problems persist, especially failures during hydrotesting.

5 Specific findings on Turkey.

Villagers in Turkey reported numerous specific instance of the generic problems outlined above. These will be recorded in detail in the FFM's final report. The following examples are illustrative of the problems reported:

A. Intimidation

- 5.1 Human rights in northeast Turkey continue to be violated. The pipeline is creating increased surveillance, harassment and state repression in the region. The FFM was followed to five out of six villages by plainclothes Gendarmes, the police forces responsible for several atrocities and numerous abuses. While not forcibly preventing the delegation from meeting people, the Gendarmes vehicle was parked outside each building entered. On at least one occasion, a villager was stopped and questioned immediately after speaking to and in full view of the delegation. Elsewhere, villagers reported that, following an information-gathering visit by the UK National Contact Point for the OECD Guidelines on Multinational Enterprises to Çalabas and Otaglı, they were contacted by the Gendarmerie who harassed individuals for speaking to him. Villagers questioned believed such intimidation was deterring other villagers from coming forward with their complaints.

B. Compensation

- 5.2 Landowners and land users in Turkey received significantly lower levels of compensation than the already inadequate payments made in Azerbaijan and Georgia. In Turkey, average compensation within the 8m corridor is under \$1 per square metre, in Azerbaijan it is \$1.5 and in Georgia \$3. Furthermore, in Turkey the land was purchased freehold, while in Georgia it will apparently be returned after three years. To compare like with like, the land around the SCP pipeline has been rented in all three countries¹. While landowners in Georgia receive \$3 per m², Turkish landowners receive \$0.03 per m² - 1%.

- 5.3 The Turkish Resettlement Action Plan includes two elements of compensation. One payment is for the land, the second for lost crops. The latter was paid out for one year only; land users were promised that their land would be reinstated by “next year in May [2005]”. Yet in all villages visited, the land was not yet ready for agriculture, as construction was still in progress or the land had yet to be reinstated. In Türkgözü, Çobanlı and Otağlı, land users specifically complained of not receiving compensation for crops lost since the first year. In Çobanlı, the loss of communal production from pastures totalled \$12,000. The 30 individually affected farmers were estimated to lose a yearly crop value of around \$333 each – adding up to an additional total of \$10,000. One villager from Çobanlı has applied to court demanding this year’s compensation.

C. Community Investment Programme

- 5.4 Most promises made under the Community Investment Programme (CIP) operated by the NGO Blue Crescent have not materialised and there were allegations of discrimination against Kurdish and Alevi communities. The Kurdish villages of Hasköy, Çobanlı and Çalabas were promised asphalted roads, new schools, piped water systems, veterinarian offices and women and children’s programmes by December 2005. However, by September 2005 the only requested support received in Hasköy and Çobanlı were some water pipes towards the water systems. Çalabas villagers claimed, “Nothing’s been done – the only thing that remains is the mess of the soil.”
- 5.5 In the Alevi village of Otağlı, the Muhtar submitted a petition requesting a ‘Cemevi’ [prayer] house and a morgue. The verbal response from Blue Crescent was “We don’t build mosques or morgues”, but a written response was refused. Yet in Türkgözü, a Turkish Sunni village, the Muhtar proudly described the morgue and mosque gates provided by Blue Crescent. The FFM recommends that an independent investigation be conducted as to whether or not the Otağlı villagers had been discriminated against because of their Alevi religion.
- 5.6 The largest community investment programme undertaken in the region did not correspond to village priorities and has

severely damaged local incomes. Artificial insemination for cattle was heavily promoted by Blue Crescent, who told villagers that it would increase their milk yield, improve their breed of cow, and furthermore “We’re in the process of joining the EU, therefore this must be done”. In every village visited Blue Crescent had inseminated most of the villages cows, charging between \$4 and \$10 per cow. Villagers claimed that their usual process using a bull results in 80-90% of cows carrying calves. Yet village examinations of Blue Crescent inseminated cows showed only 5-15% to be successful; in Otaglı villagers were officially told that 8% were with calf. Having lost 70-80% of a year's calves, the economic costs are major: all the villages estimated the figure to be in the thousands of dollars. Further documentation on the losses is being sought.

D. European Court Cases

- 5.7 There are a number of applications before the European Court of Human Rights regarding violations of villagers’ rights as a result of the pipeline development project. These centre on lack of consultation, failure to provide adequate compensation and inadequate or misleading legal advice. Specific articles of the European Convention of Human Rights violated include the right to peaceful enjoyment of property, convention rights to be secured without discrimination, the right to effective remedy and the right to respect for private and family life. The FFM received enquiries from a number of possible new applicants to the European Court of Human Rights in relation to both the oil and natural gas pipelines.

6 Specific findings on Georgia

Villagers in Georgia reported numerous specific instance of the generic problems outlined above. These will be recorded in detail in the FFM's final report. The following examples are illustrative of the problems reported:

A. Compensation

- 6.1 30% of land parcels expropriated for pipeline construction remain disputed. This is largely due to failures in classification, registration, land inventory, pipeline rerouting and corridor widening. In Tkemlana and Atskuri, the delegation heard of case upon case where land area was miscalculated, crops miscategorised, numbers of trees underestimated, compensation given to the wrong person, land users misclassified, the corridor widened beyond 44m and the pipeline rerouted with no new inventory or compensation payments.

B. ESIA Enforcement

- 6.2 Commitments under the Environmental and Social Impact Assessment (ESIA) undertakings are yet to be enforced by BTC Co. In Sagrasheni and Atskuri villages, BTC and SCP construction trucks continue to take routes other than those officially agreed upon. By using roads specifically decided against, the heavy trucks have predictably damaged homes, foundations, electricity pylons and people's livelihoods. Despite two years of complaints from villagers and admissions from BTC Co and subcontractors that the wrong route is being used, the trucks continue to drive.

C. Damage & Repairs

- 6.3 All six villages visited cited examples of damage from construction that remain to be compensated for or repaired. In Tsemi the village's sole water source has been damaged, leaving tap water muddy brown. With the clear mountain water gone, Tsemi's tourist industry – its primary source of income, amounting to more than \$150,000 – has disappeared. Also in

Borjomi District, landslides in Dgvari have increased significantly since construction began. Several homes have collapsed and most others received structural damage rendering them dangerous for habitation. While Tsemi have been demanding compensation for their losses, Dgvari villagers are asking to be resettled. Damage cited in the other villages included roads and houses damaged through heavy traffic or blasting.

D. Heritage Sites

- 6.4 Important heritage sites continue to be harmed despite clear warnings to BTC Co. In Atskuri, a medieval castle and a similarly ancient Orthodox monastery continue to receive damage from heavy traffic rolling past and over them. BTC Co and the Ministry of Culture have yet to take appropriate action

E. Information on Risks

- 6.5 Most communities were not adequately informed of risks and consequences of pipeline construction. The inhabitants of Tetrtskaro were not warned that the subcontractor Geotech would be using explosives to blast rock within 100-200m of their homes. The unexpected detonations caused shock, fear and severe damages in at least thirty homes in the town.

F. Grievance Mechanisms

- 6.6 BTC Co and IFC-CAO grievance mechanisms have failed to provide adequate means of seeking redress. When the villages of Tsemi, Dgvari and Tetrtskaro presented BTC Co and its subcontractors with demands for reasonable compensation, the companies responded with intransigence and legal pedantry. Applying to the IFC-CAO achieved little more, as its recommendations were late, weak and non-binding. In May 2004 the CAO recommended that Geotech assess damage from blasting to homes in Tetrtskaro and assist in repairs. Geotech responded that the recommendations are non-binding, and will only pay after a court judgement – thus invalidating the process.

G. Intimidation

- 6.7 BTC Co-BP employees have responded to talk of demonstrations with threats of physical violence and claims that this will damage their chances of compensation. Villagers of Dgvari quoted Georgi Gvaladze (BTC Co/BP's Assistant to External Affairs Manager) as telling them in early September, "Go ahead and demonstrate, it won't cause us any problems. We will call the local police and they will batter you." The same villagers claimed that in a September 10th phone call, Rusudan Medzmariashvilli (BTC Public Relations Officer) said, "If you protest, you won't get a single Lari!" These threats are believable, as a woman was seriously beaten and needed treatment after a protest in Tkemlana.

H. Pipeline Safety

- 6.8 The pipelines have not yet been safely completed. Hydrotesting in Tetrtskaro and Dgvari caused several ruptures. In Dgvari this led to deep ditches in the ground, causing death to livestock that fell into them. In Tetrtskaro villagers reported that repairs and welding needed a month's extra work.

7 Conclusion

- 7.1 The BTC pipeline has been praised by BTC Co and the international financial institutions involved as a model of highest standards, responsible corporate behaviour and the positive influence of IFI participation in projects. Yet failings brought to the attention of lenders and BTC Co have not been solved and the consortium appears to be hoping to bury the problems alongside the pipes. The IFIs' complaint mechanisms have proven themselves ineffective, permitting BTC Co to escape its responsibility. The IFIs argued that their participation in a project would improve practice, but they have yet to deliver on promises to ensure adequate and fair compensation, safety and environmental standards.
- 7.2 As the IFIs and BTC Co have shown themselves unwilling to adequately address their failures, the FFM urges ministries and parliamentarians to investigate. They must ensure that:
 - 7.2.1 Villagers are adequately compensated for damages incurred due to construction of BTC.
 - 7.2.2 Villagers are compensated for loss of income due to construction work.
 - 7.2.3 Land disputes are resolved equitably.
 - 7.2.4 Communities are not discriminated against according to ethnicity or religion.
 - 7.2.5 Safety issues of the pipeline are investigated independently, particularly the ongoing coating problems.
 - 7.2.6 Consortium members and supporting IFIs are held to account for failing to adequately address problems previously reported to them.

8 Appendix

8.1 Issues identified by 2004 FFM in Ardahan area:

- 8.1.1 Intimidation and excessive surveillance by security police
- 8.1.2 Extensive use of emergency powers to expropriate land for construction prior to compensation being paid. This indicates a failure in project planning and a clear breach of World Bank guidelines on resettlement.
- 8.1.3 Damages caused had not been addressed or compensated. These included extreme amounts of dust from heavy traffic.
- 8.1.4 Difficulties experienced by villagers in obtaining legal redress for damages incurred.
- 8.1.5 Allegations of discrimination against ethnic minorities in both BTC employment practices and the carrying out of community development programmes.
- 8.1.6 Allegations of poor quality control during construction.
- 8.1.7 For a full account of previous findings, see BTC Oil Pipeline: Human Rights, Social and Environmental Impacts Turkey Section – Final Report of Fourth Fact finding Mission – 19-27 September 2004, Kurdish Human Rights Project et al., London

8.2 Issues identified by 2004 FFM in Borjomi and Tetrtskaro areas:

- 8.2.1 There appeared to be minimal positive development impacts of the project.
- 8.2.2 Pipeline construction had damaged road infrastructure, caused damage to houses and resulted in loss of incomes in a number of areas.
- 8.2.3 Concerns on pipeline safety in the Borjomi region
- 8.2.4 Concern regarding pipeline welding and coating throughout Georgia
- 8.2.5 Local impacts such as employment, land compensation and community investment programmes were subject to much dispute and concern

- 8.2.6 BTC grievance mechanism appeared ineffective and lacks credibility
- 8.2.7 CAO recommendations regarding both specific cases and systemic failures were not implemented by BTC Co.
- 8.2.8 For a full account of previous findings, see third fact finding mission: azerbaijan, georgia, turkey pipeline project – georgian section: october 2004, FoE (England, Wales and Northern Ireland) et al., London

ⁱ It could be argued that the South Caucasus Pipeline (SCP) ends at the Georgian-Turkish border, with the extension running from there to Ezurum wholly constructed and operated by BOTAS, not BTC Co. However, this section of the pipeline is as integral as any other – without it the natural gas will go nowhere. Thus lenders and operators of the SCP must ensure that the same minimal standards are enforced on the Turkish section as elsewhere.

Further information is available on www.baku.org.uk