

## Southern Gas Corridor

### Speaking points for the VP and state of play on TAP, TANAP and EIB financing

#### SCENE SETTER

During your visit to Baku in November 2014 and in course of the meeting with the President of Azerbaijan Ilham Aliyev, you agreed to **set up the Southern Gas Corridor Advisory Council**. The first meeting of the SGC AC took place on 12<sup>th</sup> February 2015, the second on 29<sup>th</sup> February 2016 and the third one on 6<sup>th</sup> February 2017.

You are now **participating to the 4<sup>th</sup> meeting of the SGC AC in Baku on 15 February 2018**. The Council gathers all main stakeholders involved in the Southern Gas Corridor in order to provide continuous political steer and commitment for the finalisation of the project and solve key outstanding issues. Invitations were extended to the energy ministers of the relevant EU MS, partner countries and international financing institutions.

It is very likely that the **EIB financing to SGC** projects will be very high on the agenda of the SGC Advisory Council this year. On **6 February the EIB board** decided about the EUR 1.5bn loan to TAP which is a strong sign of the EU's commitment to SGC.

[REDACTED]

#### LTT

- TANAP and TAP are important Projects of Common Interest, and central to the opening of the Southern Gas Corridor.
- As such they will contribute to diversification, thus better energy security and competition in the most vulnerable parts of Europe (South-East-Europe and Southern Italy).
- Significant loans from our European financial institutions are a tangible sign of EU's commitment to the Corridor.

- [REDACTED]

- In this context we much welcome the EBRD's USD 500mln loan to TANAP in last October and the biggest ever for the EIB, EUR 1.5bn loan to TAP which was approved last week.

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[REDACTED]  
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## **SPEAKING POINTS**

### **Opening remarks**

Ministers, excellences, ladies and gentlemen, I am very happy to take the floor at the opening of this distinguished forum which reconvenes for the fourth time.

**2018 will be an important year for the Southern gas Corridor, with the testing of the TANAP gas pipeline starting in the first half of this year. By the end of this year or early next year, gas supplies to Turkey should start, making this pipeline a reality.**

**Four years have passed since the Southern Gas Corridor Advisory Council was established.** This period was marked by profound changes in the energy landscape, marked by a significant shift in oil prices, but also historical achievements like the signature of the Paris Agreement. The fourth meeting of the Southern Gas Corridor Advisory Council is a good opportunity to gather and reflect on what has been achieved and what challenges still lie ahead in order to ensure that the Southern Gas Corridor is timely completed. These meetings are crucial for streamlining the development and implementation of the Corridor by bringing together all the countries and the stakeholders involved.

**Let me therefore extend my thanks to Azerbaijan** [Your Excellency President Aliyev/Minister Parviz Shahbazov] for the initiative and the invitation to all of us to gather here today in the beautiful city of Baku for the fourth time. I also wish to thank the Azerbaijani authorities for their excellent cooperation within the ongoing negotiations of the Comprehensive Framework Agreement with the EU which we launched one year ago. The agreement will open new avenues

for reinforced energy cooperation, going far beyond the SGC, with your state oil and gas company – SOCAR – playing a crucial role.

To date, **solid progress has been achieved on all the Corridor's projects along the entire value chain** (Shah Deniz II field development, expansion of the South Caucasus Pipeline, Trans-Anatolian pipeline and the Trans-Adriatic pipeline), despite the many challenges that we have faced. This would not have been possible without the successful regional cooperation between the countries concerned by the infrastructure – EU Member States or not. Here, I would like to thank all the participants – ministers, government representatives and CEOs – for your determination to see Azerbaijani gas, and potentially gas from other countries in the region, finally flow to Europe.

In parallel, **the importance of the project has only grown**, as repeatedly affirmed by the European Commission and the EU Member States, most recently at the Eastern Partnership Summit in Brussels in November, the Declaration of which stressed the strategic importance of the Corridor. Likewise, the Energy Union and the European Energy Security Strategy both underscore the project's importance.

Also, the key projects of the Corridor (the expansion of the South-Caucasus Pipeline, the Trans-Anatolian Pipeline in Turkey and the Trans-Adriatic Pipeline connecting Greece to Italy) have been **identified as Projects of Common Interest** under the Regulation on the Guidelines for Trans-European Energy Network and have been included in the list of critical projects annexed to the European Energy Security Strategy. As such, these projects will benefit from improved regulatory conditions, increased visibility and the right to apply for funding from the Connecting Europe Facility (CEF) – the Trans-Anatolian Pipeline has already benefitted from financial assistance from the latter.

Now, as in previous years, we have gathered to discuss the next steps of the Corridor's implementation in the coming months and years, with a view to make it **a reality within the agreed timeframe**.

#### Building a resilient Energy Union

Ensuring a reliable and steady flow of energy is a fundamental requirement for our modern economies and societies, and for our quality of life. This is why we need competitive, secure and sustainable energy.

Today, **the EU imports more than half of all the energy it consumes** – more specifically, **69% of the natural gas** and 89% of the oil we use.<sup>1</sup> The majority of these imports come from our neighbours – Russia, Norway and Algeria. Over the course of the past years, the introduction of increased inter-connections inside Europe and reverse-flow capabilities on key pipelines have meant that the number of Member States exclusively dependent on one single supplier has dropped. While we applaud this development, we still have a long way to go to reach a secure, sustainable, competitive and affordable energy market.

In fact, ever since the flow disruptions in 2006 and 2009 – which are still fresh in our minds – **the EU has actively sought to diversify its energy supply sources and transportation routes**. Indeed, the EU Member States responded to this need by requesting a European Energy Security Strategy, which was subsequently adopted by the European Commission in 2014. Its very first report reiterated the key **contribution to the diversification of our energy sources** of the Southern Gas Corridor and the need for its timely completion and possible expansion in the future. At the same time, the Commission had already included all the projects linked to the Southern Gas Corridor in its second list of Projects of Common interest.

In this context there was also a growing realization that a more decisive and co-ordinated approach was necessary to face ever-increasing energy challenges. This led to the agreement of the EU Heads of State and Government in June 2014 on the creation of an **Energy Union** as one of the overarching priorities for the EU. A year later, the Commission adopted the Framework Strategy for a resilient Energy Union, the goal of which is to give the EU secure, sustainable, competitive and affordable energy.

The Energy Union, one of the top-ten priorities of the current European Commission, includes, among its five main dimensions, **Energy security, solidarity and trust**, to be achieved by diversifying Europe's sources of energy and ensuring energy security through solidarity and cooperation between EU countries.

This dimension does not stop at the EU borders – it has a strong external dimension.

The EU is working on three main **diversification vectors**:

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<sup>1</sup> Energy in figures, Statistical pocketbook 2017

First, **LNG** provides an alternative source of supply from countries that are hardly accessible otherwise and which would benefit by gaining access to the EU internal energy market and its liquid hubs.

Looking southwards, the discoveries of large natural gas fields in the **East-Mediterranean** region in recent years have raised the region's profile as a source of gas. Therefore, the region could have a growing role in the EU's diversification strategy.

Third, a key vector for enhancing gas diversification in Europe is of course the **Southern Gas Corridor** to link gas resources from Azerbaijan with Turkey and the EU as of 2019/2020.

From the EU's side, we are determined to open the South Eastern European markets to the Southern Gas Corridor. As you will recall, the Commission has taken the initiative to support this by setting up a **High Level Group on Central and South Eastern Europe Gas Connectivity (CESEC)**, the aim of which is to coordinate efforts to facilitate projects that are key for diversification of gas supplies to the region, as well as to implement harmonized rules of their operation. This includes unblocking important cross-border projects and removing remaining obstacles to the integration of the region, hence promoting pragmatic and cost-effective infrastructures in South East Europe. CESEC effectively prepares the ground for Azerbaijani gas – and potentially gas from other countries in the region – to reach consumers in this very region and in the EU at large.

This underlines that the Southern Gas Corridor is not only about ensuring competitive, secure and sustainable energy for the EU MS only, but also for our **closest neighbours**, and specifically the Western Balkan countries, some of which – like certain EU MS – still rely on one single gas supplier (Russia). We work very closely with the six countries in the region in several forums, notably the Energy Community and the aforementioned High Level Group. Therefore, I look forward to the special session this afternoon on the Southern Gas Corridor in the Balkans (TBC).

Looking beyond the Western Balkans and the Caucasus, I would like to recall **my visit to Turkmenistan** and the multilateral meeting held in Ashgabat in May 2015. The ensuing Ashgabat Declaration and the establishment of the Working Group for the implementation of this Declaration have allowed us to enhance

our cooperation with a view to **bring Central Asian gas to European** and Turkish markets. The EU stands ready to continue talks on the modalities for these potential deliveries as shown by the **latest round of bilateral energy consultations with Turkmenistan** which took place in Ashgabat last week.

Today we will hear the **updates from the projects promoters and consortia** involved in the Shah Deniz II upstream development, Trans-Anatolian and Trans-Adriatic pipeline and we will discuss how to streamline the implementation of these projects further. The Commission stands ready not only to support these projects politically but also **financially**. As mentioned in the beginning, the Connecting Europe Facility can be key to help promoters prepare their projects well and indeed projects of the Southern Gas Corridor have already received such assistance. **International Financial Institutions**, including European Investment Bank or World Bank, are in advanced talks with promoters on financing conditions for the Corridor's projects and I would still encourage the banks to scale up their efforts, especially with respect to the most capital intensive sections of the Corridor.

All in all, I am fully convinced that thanks to the concerted efforts of all actors and stakeholders involved, the Southern Gas Corridor **can be realised in time** and that Azerbaijani gas can flow to Europe by 2020.

Thank you for your attention and I am looking forward to fruitful discussions and exchange of ideas today.

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### **Closing remarks**

Ministers, excellences, ladies and gentlemen,

Last year, we discussed the necessity to streamline further the development and implementation of the Southern Gas Corridor in a multilateral format with all the countries and stakeholders involved. This fourth meeting of the Southern Gas Corridor Advisory Council with all our partners and friends here in Baku **reiterates this engagement**.

We have faced many challenges in the past year and even more since the launch of the Advisory Council in 2015. However, owing to our determination and commitment to the successful implementation of the Corridor, **most of those challenges have been overcome**. Here, I would like to thank once more

all the participants and stakeholders in the process – ministers, government representatives and CEOs – for contributing to the substantial progress we reached on of these issues.

Today, as in previous years, we have received a **detailed update** from the main operators and project consortia (BP, TAP and SGC Company/SOCAR) covering all the various sections of the Corridor. It is with great pleasure that I note the progress on all the projects (Shah Deniz II field development, the South Caucasus Pipeline, Trans-Anatolian pipeline (TANAP) and the Trans-Adriatic pipeline (TAP)). We can then be reasonably confident that in one year from now gas will flow to Turkey and, by 2020, to the EU.

Still we are aware, as reflected in today's discussion, that **not all challenges** have been overcome, but we are also convinced that through our continued excellent cooperation with all the countries and parties concerned, we will be able to solve those too – as we did in the past.

Here, I would like to emphasize once again the **strategic importance of the Southern Gas Corridor** in the context of the European Energy Security and the Energy Union strategies, and in particular for its contribution to the diversification of our energy sources. All the ensuing communication, starting with the State of the Energy Union and the European Energy Security Strategy implementation report, has stressed the importance we attach to its timely completion, so that gas from new suppliers can soon flow to Europe.

In the past few years the Commission has intensified its efforts with Member States to help develop **Europe's energy interconnectivity**, and specifically gas connectivity in South-East Europe. Within the EU, increased inter-connections and reverse-flow capabilities along key pipelines have already reduced the number of Member States exclusively dependent on one single supplier. Beyond our borders, the Commission has also set up a High Level Group on Central and South-Eastern European Gas Connectivity (CESEC) to boost the integration and diversification of gas markets in the region. The High Level Group supports the construction of missing gas infrastructure links and the removal of any remaining regulatory or technical obstacles.

In this context, allow me to also emphasise the role of the **Energy Community**. With the key objective to extend the EU internal energy market rules and principles to countries in South East Europe and the Black Sea region on the basis of a legally binding framework, the Energy Community continues to

attract countries to join or to learn from its experience. In this respect, the EU welcomes **Georgia's accession** as contracting party to the Energy Community in July 2017.

Allow me to also recall that our vision of the Southern Gas Corridor is **not limited** to the Shah Deniz II gas. We are looking forward to further field developments in the Caspian Sea, namely the ongoing explorations in the Azerbaijani sector, but also to other countries in the region. Progress achieved so far allows us to seriously consider the expansion of the Corridor to **Central Asia**. We will in particular continue our engagement with both Azerbaijan and Turkmenistan towards the realisation of the Trans- Caspian pipeline. Bilateral consultation with Turkmenistan took place last week and the multilateral Working Group set up by the Ashgabat Declaration, to which some of your government representatives participate, should also pursue its work further.

As a **bridge** between the EU market and key energy producers, the realization of the Southern Gas Corridor's transit potential is in our mutual interest; we all stand to gain from this project. In the long-run, as I mentioned earlier, the EU objective is to create a pan-European energy market based on free trade and competition and relying on a diversified set of supplies, sources and routes. To this end, we continue to pursue an inclusive approach with all of you here today. Only in this way will we be able to complete the external dimension of the EU Energy Union and make our energy more secure, sustainable, competitive and affordable.

To conclude, let me once again express my firm belief that Caspian **gas will flow** through the Southern Gas Corridor to Europe abundantly, to the benefit of the producer and transit countries as well as of the European citizens. The European Commission remains as committed as ever to the on-going, close cooperation with all the Southern Gas Corridor stakeholders – promoters, shareholders and national authorities – on completing this priority project on time.

I would like to thank His Excellency President Ilham Aliyev for the hospitality and the initiative to once again host the Southern Gas Corridor Advisory Council here in Baku.

Thank you very much for your attention!



**Coordinator:** [REDACTED] (ENER.A3, [REDACTED])

**Contributors:** [REDACTED] (ENER.B1, [REDACTED]), [REDACTED] (ENER.A3, [REDACTED])

## **Defensives**

### **Why were TANAP and TAP not granted CEF support in the last CEF call?**

- TANAP and TAP successfully accessed CEF study grants under the CEF calls in 2014, 2015 and 2016. TANAP got 4 grants amounting to some EUR 10.3mln, TAP benefitted from a EUR 14mln grant in 2016.
- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]
- It is important to stress that the CEF grants evaluation is not about reassessing the PCI. The CEF evaluation concerns only the proposal as presented and it is carried out against the technical criteria with the help of independent experts
- [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED]

## **BACKGROUND**

### **State of play on TAP, TANAP and EIB financing**

Trans-Adriatic Pipeline (TAP) together with Trans-Anatolian Pipeline (TANAP) is the essence of the Southern Gas Corridor (SGC) policy of the EU. The construction of these projects will give Europe access to gas that is not from currently dominant suppliers; hence contribute to the EU's objective of diversification of gas sources [one of the long standing objectives and key driver for the European Energy Union]. There is currently no other equally mature pipeline project that would give the EU access to new gas. Therefore, for many years now, there have been attempts from the side of the already established gas suppliers to torpedo the project.

It took years of the highest political involvement and of intensive cooperation with both Azerbaijan and Turkey to enable the projects. Both TAP and TANAP are being constructed with the target date of first gas to the EU in 2020. TAP is now over 60% complete (including all engineering, procurement and construction scope) [REDACTED]

[REDACTED]

### **Status of the approval within Financial Institutions**

#### **EBRD:**

(1) For TANAP, USD 500m loan to Southern Gas Corridor Company (SGC) – loan guaranteed by the state of Azerbaijan – was approved by the board in October 2017

[REDACTED]

(3) USD 100m loan to Lukoil to finance its contribution to Shah Deniz II – approved by the board in July 2017

**The World Bank:** approved USD 400mln loan to TANAP in December 2016.

[REDACTED]

[REDACTED]

[REDACTED]

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<sup>2</sup> For legal reasons there is no possibility for the Connecting Europe Facility to co-finance the construction of TANAP or TAP

<sup>3</sup> [REDACTED]

To date TAP and TANAP benefited from CEF study grants amounting to EUR 14mln and EUR 10.3mln respectively (details below).

- [REDACTED]
- [REDACTED]

[REDACTED]

[REDACTED]

### ***Background on TAP and SGC***

The **Southern Gas Corridor** is a strategic initiative to bring Caspian, Central Asian, Middle Eastern and the Black Sea gas resources to the European markets. The major milestone on the SGC was made on 17 December 2013 when the Final Investment Decision for the Shah Deniz II gas field, owned by BP (28.8%), TPAO (19%), SOCAR (16.7%), Petronas (15.5%), LUKoil (10%) and NIOC (10%) was signed in Baku. Gas sales agreements for the Shah Deniz II gas (AZ) with 9 European companies were also signed in 2013.

Since then, progress has been achieved on all the projects along the Southern Gas Corridor (Shah Deniz II field development, the South Caucasus Pipeline, Trans-Anatolian pipeline (TANAP) and the Trans-Adriatic pipeline (TAP)) and it is expected that gas will flow in early 2019 to Turkey and by 2020 to the EU. A giant offshore gas field in the Azerbaijani sector of the Caspian Sea – Shah Deniz II will provide initial 10 bcma of gas to the European markets plus additional 6 bcma to Turkey.

Both TAP and TANAP are currently under construction.

The Southern Gas Corridor concept encompasses also the Trans-Caspian pipeline in order to connect the vast gas reserves of Central Asia to the European markets.

[REDACTED]

The Southern Gas Corridor Advisory Council (SGC AC) was set up at the joint initiative of VP Šefčovič and President Aliyev in order to politically streamline the development of the corridor. The Advisory Council met in Baku in 2015, 2016 and 2017. VP Šefčovič participated and intends to attend the next SGC AC now scheduled for 15 February 2018. EIB has been actively participating to all SGC AC meetings.

***Update on the progress of TAP (state of play January 2018) – information from TAP AG***

In Greece, as of early-January, 518 km of our right of way have been cleared, approximately 473 km line pipes strung, over 457 km welded, 360 km back-filled and approximately 265 km are being reinstated. Additionally, all 32,000 line pipes needed to build the 550km Greek section have been delivered (10 October 2017).

In Albania, approximately 168 km have been cleared and graded along our route, 162 km line pipes strung, 156 km welded and approximately 133 km back-filled. Circa 116 km are being reinstated.

**This means that between Greece and Albania, TAP has now cleared and graded 90% of its corridor (approximately 686km out of 765km). Additionally, TAP has welded 80% of steel line pipes and around 64% pipes are already in the ground (back-filled).**

In Italy, in line with the Single Authorisation permit granted by the Ministry of Economy on 20 May 2015, TAP continues to progress its secondary permitting activities.

TAP has also removed the first set of olive trees in the micro-tunnel area between March and July 2017. These trees are carefully looked after in a nearby nursery and will be planted back to their original location once pipeline construction works have been completed. Also, the last shipment of offshore line pipes has been offloaded in Brindisi, Italy, between 3 and 6 September 2017.

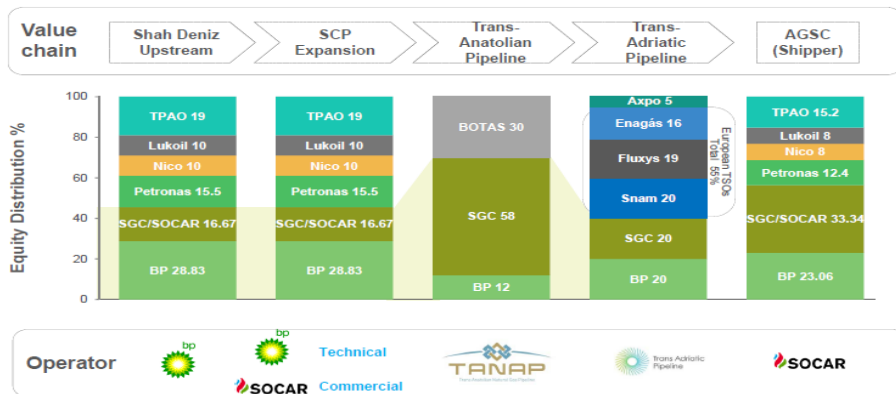
TAP's contractor, Saipem, is currently working in the micro-tunnel area: following the completion of the temporary road and the area preparation, they are now digging the pit so as to enable the building of the micro-tunnel.

Also, thus far, we TAP crews have driven approximately 57 million kilometres and worked over 21 million-man hours without any major safety incidents, which is a very good performance (as of end November 2017).

In terms of overall project progress, TAP is over 60% complete – including all engineering, procurement and construction scope (as of end November).

***Ownership structure of the projects in the SGC (source: TAP corporate presentation)***

## The TAP Southern Gas Corridor



The Commission understands that TAP aims to avoid adverse impacts as much as possible. Where avoidance is not possible, mitigation measures are being applied to minimise impacts. For the residual impacts TAP commits to provide compensation in line with best industry standards. Relevant documents describing impact and mitigation measures are public (available on TAP's website).

Potential environmental and social impacts were identified as part of the Environmental and Social Impact Assessment (ESIA) process in each of the transit countries by technical experts and in consultation with stakeholders. These are presented in the integrated ESIA reports and ESIA Amendments submitted to the governments and approved by them.

TAP is developing the pipeline in full alignment with the national and international laws and regulations, and more specifically, seeking compliance with the stringent benchmark requirements of the international financial institutions (e.g. EIB, EBRD) from which TAP expects to borrow money for the project.

TAP stresses to us that the company is committed to dialogue and finding mutually appropriate solutions with communities living along the pipeline route. TAP also highlights the social and environmental investments it undertakes in order to enhance living conditions in neighbouring communities and biodiversity and forest cover in and around critical habitats.

TAP stresses its commitment to avoiding any environmental and negative social impacts. In particular:

- TAP analysed a total number of about 20 landfall points along the Apulian coastline from Brindisi to Otranto in order to identify San Foca as the one with the least environmental impact (both for the construction phase and the operation).
- For the landing point in San Foca, using a state-of-the art micro-tunnel (about 1,500m long), passing more than 10 meters below the beach, so there will be no impact on the shore. This technology will avoid interference with the protected sea and land habitats (*Posidonia oceanica* and Mediterranean maquis) and, at the same time, render the pipeline invisible.
- TAP has reduced the width of the pipeline right of way in forest areas and in areas of sensitive habitat or known species of concern to ensure that we minimise and avoid any adverse impact where at all possible. In many areas TAP has reduced the right of way width from 38m to 28m and in Italy we have reduced it to as little as 18m.
- Regarding sustainable water management in the Puglia Region in Italy, TAP opted not to use local fresh water supplies or to drill an aquifer for the offshore hydrotest requirements as there was no way to replenish this supply by cleaning and re-introducing the water into the local area systems. To ensure that the systems were therefore not impacted, TAP instead designed a micro-tunnel that has a completely sealed access pit to accommodate a natural sea water sump area with a constant water supply when it is completed. As such, TAP has managed to overcome the need for fresh water, by having a direct link through to the sea at a position around 700 metres offshore in a water depth of circa 30 metres.
- Burying the pipeline ~1.2m (min 1,5m in Italy) below agricultural lands, which ensures that farmers can continue to use their lands to produce crops without unnecessary disruption to routine farming practices.
- Re-locating olive trees in Italy to be stored temporarily until they can be replanted. Temporarily relocating approximately 2,100 olive trees and then replanting them to their original location along the pipeline right of way following construction.

We understand that TAP is also implementing several social and environmental investment projects along in communities along the route. These programmes are developed to promote sustainable development and in full consultation & cooperation with communities along the pipeline route. In Italy, the focus has been on livelihoods, particularly tourism, agriculture and fisheries sectors, environmental management,

and community services and infrastructure. Project funding ranges from small scale grants, through local community initiatives, to regional development partnerships.



**Annex I Draft Program of the 4<sup>th</sup> Ministerial Meeting of the Southern Gas Corridor Advisory Council - Heydar Aliyev Center**

09:00 – 09:30 Arrival, Registration and Coffee

09:50 Call for the meeting, conference delegates accommodation

9:55 Joint photo

10:00 Keynote address by HE Mr. Ilham Aliyev, President of the Republic of Azerbaijan

*Welcoming address by Mr. Maros Sevcovic, Vice President of the European Commission in charge of Energy Union, Co-Chairman of the Advisory Council*

10:30 – 10:50 Coffee break

10:50 – 11:00 Opening address by Mr. Parviz Shahbazov, Minister of Energy of the Republic of Azerbaijan, Co-Chairman of the Advisory Council

11:00 – 11:05 Special address by Ministry of Energy and Natural Resources of the Republic of Turkey

11:05 – 11:10 Greeting by Mrs. Ms. Sue Saarnio, Acting Special Envoy and Coordinator for International Energy Affairs Bureau of Energy Resources, the U.S. Department of State

11:10 – 11:15 Greeting by Baroness Nicholson, the UK Prime Minister's Trade Envoy to Azerbaijan

11:15 – 12:00 **Plenary Session I: SGC Project: Progress Update by Projects:**

Shah Deniz II Upstream/SCPX

TANAP

TAP

12:00 - 13:15 **Plenary Session II and Roundtable discussion: The Southern Gas Corridor: achievements and challenges**

- Role of Turkey in the implementation of the Southern Gas Corridor
- Southern Gas Corridor in Greece:
- Southern Gas Corridor in Albania
- Southern Gas Corridor in Italy

Moderators - Mr. Maros Sevcovic, Vice President of the European Commission in charge of Energy Union and Mr. Parviz Shahbazov, Minister of Energy of the Republic of Azerbaijan

Minister Dimitri Kumsishvili, First Deputy Prime Minister and Minister of Economy and Sustainable Development

Mr. Berat Albayrak, Minister of Energy and Natural Resources of the Republic of Turkey, **TBC**

Mr. Michail Verroioopoulos, Secretary General for Energy of the Hellenic Republic

Mr. Claudio De Vincenti, Minister for Territorial Cohesion and Southern Italy

Ms. Temenuzhka Petkova Minister of Energy of the Republic of Bulgaria

Ministry of Energy and Industry of the Republic of Albania, **TBC**

13:15 - 14:30 Lunch, Heydar Aliyev Center

Bilateral meetings

14:30 - 15:15 **Plenary Session III: Financial support to the SGC in the context of global energy security paradigm**

Mr. Afgan Isayev, General Director, Southern Gas Corridor CJSC

World Bank Group

Asian Development Bank

Asian Infrastructure Investment Bank

European Investment Bank

European Bank for Reconstruction and Development

International Finance Corporation

KfW IPEX-Bank GmbH

Multilateral Investment Guarantee Agency

Euler Hermes Group

15:15 – 15:45 **Plenary session IV: Southern Gas Corridor in the Balkans – expanding the horizons**

- Southern Gas Corridor: Outlook for the future – IAP **TBC**

Moderator - Mr. Dragica Sekulic, Minister of Economy of Montenegro

Mr. Tomislac Coric, Minister of Environment and Energy of the Republic of Croatia, **TBC**

Mr. Mirko Sarovic, Minister of Foreign Trade and Economic Relations of Bosnia and Herzegovina

Mr. Aleksandar Antic, Minister of Mining and Energy of the Republic of Serbia, **TBC**

The Ionian Adriatic Pipeline **TBC**

15:45 – 16:00      *Closing remarks by Mr. Maros Sevcovic and Mr. Parviz Shahbazov*

16:20 - 16:30	Joint photo of all participants
16:30 - 17:00	Press-statements by Mr. Parviz Shahbazov and Mr. Maros Sevcovic
16:30 - 18:00	Time for bilateral meetings of delegations
19:00 - 22:00	Dinner hosted by Mr. Parviz Shahbazov

## **Annex II Advisory Council's Declaration**

The Fourth Ministerial Meeting of the Southern Gas Corridor Advisory Council

JOINT DECLARATION  
BAKU, 15 FEBRUARY 2018

We, the participants of the Fourth Ministerial Meeting of the Southern Gas Corridor Advisory Council, held in Baku on the 15th February 2018:

*Reaffirming* our strategic partnership based on the shared goals of improving the security and prosperity of our citizens and the protection of the environment;

*Emphasizing* the importance of establishing an integrated European energy system in accordance with the Framework Strategy for a Resilient Energy Union with a Forward-Looking Climate Change Policy for achieving the transition to a low-carbon, secure and competitive economy;

*Noting* the contribution of natural gas to reduction of air pollution and carbon emissions and its compatibility as a standby fuel for power generation from renewable energy sources;

*Recognizing* the importance of the diversity of energy sources, supplies and energy transportation routes and of undistorted trade in achieving such diversification;

*Building on* the recognition of the fact that the Southern Gas Corridor, which brings diversification of natural gas supply, is of strategic importance for the European Union;

*Welcoming* the fact that the Southern Gas Corridor is nearing completion, with substantial progress in all the relevant segments, and the first flow of gas will take place this year;

*Reaffirming* the importance of continued political support to the implementation of the Southern Gas Corridor;

*Recognizing* the strategic role of the Republic of Azerbaijan as a key enabler of the Southern Gas Corridor in the efforts to deliver secure, sustainable, competitive and affordable energy to consumers in Georgia, the Republic of Turkey and Europe and in appreciation of the

investments of the Republic of Azerbaijan and International Energy Companies in the components of the Southern Gas Corridor, including in Europe itself;

*Recognizing* that significant untapped gas resources in the Republic of Azerbaijan can provide additional gas supplies to Europe and recognizing the decision of the Republic of Azerbaijan and investing companies to facilitate development of Absheron, Umid, Babek, Karabakh, Dan Ulduzu, Ashrafi, Shah Deniz III and other fields in the course of the next stage of development of the Southern Gas Corridor;

*Welcoming* the extension to 2048 of the Production Sharing Agreement (PSA) on the development of the Shah Deniz field and extension to 2050 of the PSA for development of the Azeri-Chirag-Gunashli (ACG) fields, which underline the long-term presence of the international oil and gas companies in the energy sector of the Republic of Azerbaijan;

*Appreciating* the Republic of Azerbaijan's observance of sanctity of contracts, which encourages long term foreign investment and cooperation in its energy sector;

*Emphasizing* the crucial role of the Republic of Turkey and Georgia in assuring the successful operation of the energy projects and transportation corridors from the Caspian Region to Europe on their territories;

*Appreciating* the key role of the Republic of Turkey in the successful implementation of the Trans-Anatolian Natural Gas Pipeline Project;

*Noting* the progress recently achieved in the construction of the Trans-Adriatic Pipeline, while acknowledging the remaining challenges;

*Appreciating* the fundamental role of the Hellenic Republic, the Republic of Albania and the Italian Republic in the progress on the implementation of the Trans-Adriatic Pipeline;

*Highlighting* the ongoing efforts to proceed with the establishment of the Gas Interconnector Greece-Bulgaria;

*Welcoming* the initiative of the Republic of Turkey and the Republic of Bulgaria to enable bi-directional flow between their gas systems.

*Highlighting* the initiative of the Western Balkan countries to realise the Ionian Adriatic Pipeline;

*Recognizing* the importance of the continuing support of the United States of America in developing the Southern Gas Corridor;

*Welcoming* the participation of delegations of the Republic of Croatia, Republic of Montenegro, [further participants as the case may be] in the Ministerial Meeting of the Southern Gas Corridor Advisory Council;

*Appreciating* the continuous support expressed by Romania for the implementation of the Southern Gas Corridor and its contribution to connecting Central Europe and the Southern Gas Corridor;

*Recognizing* the valuable and active support of the European Union and welcoming the inclusion of the SCP, TANAP and TAP projects in the 3<sup>rd</sup> list of EU Projects of Common Interest, which is a prerequisite for applications for funding under the Connecting Europe Facility (CEF) programme;

*Noting* the significant role of the International, European and national Financial Institutions in contributing to the provision of loan capital to realise the Southern Gas Corridor;

*Recognizing* that the Southern Gas Corridor is designed and eager to welcome additional sources of natural gas from the Caspian Basin, Central Asia, the Middle East and the Eastern Mediterranean Basin<sup>4</sup> and the potential resources from the Black Sea for transmission to Europe, and that the Southern Gas Corridor Infrastructure can be available for use by multiple suppliers;

Hereby declare the following:

1. We remain determined to continue deepening the long term strategic relationship among the stakeholder countries of the Southern Gas Corridor and between transporters, suppliers, and consumers of the energy resources, to secure reliable and sustainable supply of gas from the Republic of Azerbaijan to Georgia, the Republic of Turkey and further to European countries;
2. We welcome the substantial progress achieved in the implementation of the Southern Gas Corridor since the previous Ministerial meetings held in Baku on 12 February 2015, 29 February 2016 and 23 February 2017;
3. We support the efforts of the relevant countries in completing the remaining regulatory and legal prerequisites and procedures related to permitting and authorizations, as well as other measures necessary for the construction of the Southern Gas Corridor to be completed without undue delays;
4. We will continue to promote the expansion of the Southern Gas Corridor to further markets, including outside the borders of the European Union, such as the Energy Community countries in the Balkans, through assessing technical and commercial opportunities to cooperate with existing and planned infrastructure owners including within the framework of the Central and South Eastern Europe Gas Connectivity (CESEC). We maintain our interest in the Interconnector Greece – Bulgaria; the Ionian Adriatic Pipeline; the bi-directional connection between the gas systems of the Republic of Turkey and the Republic of Bulgaria, including, but

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<sup>4</sup> In line with the definition of the Southern Gas Priority Corridor in the TEN-E Guidelines Regulation (EU 347/2013), Annex I (2)(7)

not limited to the potential offered by the bi-directional connection between Bulgaria and Romania;

5. We will continue our efforts to end the energy isolation of countries in Europe and to increase their energy security;
6. We welcome the confidence of international financial institutions, which have provided access to affordable financing for projects within the framework of the Southern Gas Corridor and we support further efforts to engage national, European and regional financial institutions, notably by maintaining and developing further the transparent, predictable and stable regulatory environment with its appropriate monitoring mechanisms; and we invite the international financial institutions to further deepen their support for the Southern Gas Corridor;
7. We continue to promote strategic energy partnership in the region and beyond in order to address the implementation issues of the Southern Gas Corridor with the continuous support of the European Union, in particular through the implementation of the Energy Union Framework Strategy;
8. We maintain our firm intention to continue developing bilateral and multilateral cooperation to open the Southern Gas Corridor to possible future participants in their capacities as suppliers and/or transit countries, and to continue working level consultations to address, in the most practical and timely way, relevant legal, regulatory, safety and security matters, which may emerge during the realization of any future expansion of the Southern Gas Corridor;
9. We welcome the interest of potential additional suppliers of natural gas from the Caspian Basin, Central Asia, the Middle East, the Eastern Mediterranean Basin and the Black Sea to use the Southern Gas Corridor to further diversify natural gas supplies to Europe and to other countries; and encouraging discussions to ship additional gas supplies to Europe;
10. We declare that the Southern Gas Corridor has achieved significant progress and we will maintain our effort to ensure its timely completion so that natural gas can flow to Europe in 2020.

This Joint Declaration was endorsed by representatives of the Republic of Azerbaijan, the Republic of Albania, the Republic of Bulgaria, Georgia, the Hellenic Republic, the Italian Republic, the Republic of Turkey, and the Republic of Croatia, Montenegro, Romania, [etc., as the case may be], the United Kingdom, the United States of America, and the European Union.

**Annex III Letter addressed to President Hoyer**



**Maroš ŠEFČOVIČ**  
Vice-President of the European Commission

**Miguel ARIAS CAÑETE**  
Member of the European Commission

Brussels, 13<sup>th</sup> July 2017  
Ares(2017) 4034602

Dear President Hoyer,

We are writing to you in order to emphasise the importance of the Trans-Anatolian Natural Gas Pipeline (TANAP) and Trans-Adriatic Pipeline (TAP), two vital and irreplaceable elements of the Southern Gas Corridor initiative of the European Union.

The Southern Gas Corridor is a strategic project for the EU, directly contributing to the diversification of gas sources and security of supply objectives of the European Energy Union strategy. Both TANAP and TAP are explicitly featured in the European Energy Security Strategy as key security of supply infrastructure projects. Furthermore, Southern Gas Corridor is an example of successful cooperation and of a constructive alignment of interests between the European Union and its neighbours, namely Turkey, Georgia and Azerbaijan. These energy corridor projects will have positive impacts for the economies and citizens of those countries, yet the main benefits will be, without a doubt, for the European Union.

The EU has expressed its commitment to the Southern Gas Corridor projects at the highest level, most recently during the visits of President Erdogan and President Aliyev to Brussels, on 25 May and 6 February respectively, and at the SGC Advisory Council on 23 February 2017.

The importance of TANAP and TAP for meeting the EU's energy and climate goals has been recognised by all the Member States when they unanimously agreed in 2013 to the inclusion of both projects on the Union wide list of Projects of Common Interest. The PCI status of both projects was re-confirmed when the 2<sup>nd</sup> PCI list was agreed on in 2015. All Member States have subsequently approved Union financial assistance to both projects' preparatory and development studies under the Connecting Europe Facility.

President Werner Hoyer  
European Investment Bank  
98-100 Bd. Konrad Adenauer  
L-2950 Luxembourg

Rue de la Loi, 200  
B-1049 Brussels

Europe's continued commitment to these Southern Gas Corridor projects has allowed them to make impressive progress over the last few years. Now that the projects have successfully reached the capital intensive construction phase, their promoters need to urgently secure adequate funding; Europe's commitment must therefore not wane. In this respect we would hope that the European Investment Bank, as well as the European Bank for Reconstruction and Development, are now in a position to assist TANAP and TAP to the extent required and thereby to exemplify that European Union patronage over the Southern Gas Corridor continues.

Yours sincerely,



Maroš ŠEFČOVIČ



Miguel ARIAS CANETE



**Annex IV Response to the letter of Minister Aliyev regarding EIB financing for TANAP**



Brussels, 18 July 2016  
Ares (2016) 2633062

**MAROŠ ŠEFČOVIC**

Vice-President of the European Commission

Dear Minister,

Thank you for your letter of 6 June 2016 and for your continued efforts to advance the implementation of the Southern Gas Corridor. It was a great pleasure to meet you and your delegation in the course of the TAP ceremony. This event confirmed our joint commitment to the timely implementation of the Southern Gas Corridor and our dedication to work together to overcome any potential obstacles that may arise in course of its development.

In this context I suggest we speak shortly after the summer to take stock of the progress achieved in the development of the Southern Gas Corridor and in particular in securing the financing for TANAP. Our offices will be in touch to agree on a suitable date.

Let me thank you once again for your personal engagement in the implementation of the Southern Gas Corridor and making the deliveries of the Azerbaijani gas to the European markets a reality.

Yours faithfully,

*Mr Natig ALIYEV*  
*Minister of Energy*  
*Republic of Azerbaijan*  
*E-mail: [afgan.isayev@sgc.az](mailto:afgan.isayev@sgc.az)*

## Annex VI Response from VP Šefčovič to an open letter from NGOs regarding TAP and TANAP



Brussels, 7 September 2017  
ARES(2017)4033486

**MAROŠ ŠEFČOVIČ**

Vice-President of the European Commission

Dear Mr McKibben,

Thank you for the open letter which you addressed to the European Commission, the European Investment Bank and the European Bank for Reconstruction and Development on 3 July 2017.

The European Union is determined to move towards a low-carbon, secure and competitive energy system. In this context, gas will play a role, including as complementary fuel to renewable generation. Nevertheless, European gas demand is projected to gradually decline over the coming decades reaching approximately 340 bcm/year in 2040. However, the potential of EU domestic gas production is estimated to dramatically decrease to close to 40 bcm/year by that time, leaving the amount of imported gas broadly stable. Since the potential of gas supplies from Norway is also estimated to lower by approximately 45%, this would translate in a dependency of the European Union as a whole of over 40% upon one single source for gas imports despite the decreased gas demand. Therefore, the EU has developed a policy of diversification of gas sources, suppliers and routes with the Southern Gas Corridor which includes gas from the Caspian Sea, the Mediterranean area and liquefied natural gas. A diversified import base is the best guarantee for competitive prices and energy security.

Given estimated import dependency in some Member States of over 80%, the need for new sources of gas to balance out the current dominant suppliers of natural gas is significantly more acute along the route of the Trans-Adriatic Pipeline (TAP) bringing Caspian gas into Europe. This is a prerequisite for security of supply and the resilience to energy shocks such as the one the region experienced in 2009.

In this context TAP along with the Trans-Anatolian Natural Gas Pipeline (TANAP) are two key elements of the Southern Gas Corridor initiative of the European Union. After several years of planning and development activities, both projects are finally under construction and, on track to deliver the first Azerbaijani gas to the EU by 2020.

Bill McKibben  
Founder  
350.org  
bill@350.org

The importance of TAP has been recognised by the Member States when they unanimously agreed in 2013 to the inclusion of the projects on the Union wide list of Projects of Common Interest (PCI). The PCI status of TAP was then re-confirmed when the 2nd PCI list was agreed on in 2015. The implementation of TAP is now monitored by the members of the Southern Gas Corridor Regional Group, including the energy regulators, representatives of the respective ministries and the Commission.

Furthermore TAP, with its bi-directional gas flow capacity, will improve the functioning of the regional market to the benefit of the gas users in these countries. In this context TAP has a potential to incentivise the replacement of coal and lignite by gas resulting in the reduction of greenhouse gas emissions and air pollution.

TAP has undergone a very strict Environmental and Social Impact Assessment examination. This stems from European and national legislation, but is also a pre-condition for the involvement of the International Financial Institutions in financing this project. The project company has invested a lot of time and resources in consultations with the public, but also in research and preparatory studies, in order to be able to determine options to minimise possible impacts the project could have along the route. The Commission supports TAP in its efforts to ensure the highest standards of project preparation. As an example, part of the ongoing project development activities which contribute to the protection of cultural heritage along the route of this pipeline in Greece has been co-financed by the Commission through a grant under the Connecting Europe Facility programme.

The Southern Gas Corridor, including projects like TAP, is an example of successful cooperation, driven by an alignment of interests, between the European Union and its neighbours. The engagement on these energy corridor projects contributes to securing positive developments in line with the core values of the EU external policy including human dignity, freedom, democracy, equality, rule of law and respect for human rights that stem directly from the EU treaties. In this respect the withdrawal of the Government of Azerbaijan from the Extractive Industries Transparency Initiative, which you evoke in your letter, should not be used to overshadow the positive developments resulting from the bilateral engagement EU-Azerbaijan currently entailing a wide-ranging cooperation in the areas of political dialogue trade, investment, economic matters, legislation and culture. Further progress is also expected as in November 2016 the European Commission and the High Representative for Foreign Affairs and Security Policy received a mandate from the Council to negotiate a new legally binding agreement with Azerbaijan, which will replace the 1996 Partnership and Cooperation Agreement. The aim of these negotiations is to establish a new and stronger framework for cooperation encompassing all areas, including not only energy, but also human rights, fundamental freedoms, civil society and good governance.

Yours sincerely,

