

**Speech by Gordon Birrell,
BP's Regional President for Azerbaijan, Georgia and Turkey
European pipeline announcement event
Baku, Four Seasons Hotel, 28 June 2013**

Excellencies, Mr Minister, Mr Abdullayev, distinguished guests, ladies and gentlemen.

It gives me great pleasure to welcome you all on behalf of the Shah Deniz consortium to this event, which marks yet another important milestone in the development of the Shah Deniz Stage 2 project and the creation of the southern gas corridor.

Two years ago here in Baku, President Aliyev and European Commission President Barroso signed a historic document -- the Joint Declaration on the Southern Gas Corridor. This declaration reaffirmed the importance of the EU-Azerbaijan energy relationship and called for the establishment of direct gas delivery routes from the Caspian Sea to Europe.

And last week during President Aliyev's visit to Brussels it was once again highlighted that the implementation of this project was of strategic importance for both Azerbaijan and Europe and it was stated that both parties were very pleased with the development of the southern gas corridor achieved over the period since the signing of the joint declaration in 2011.

Today we are here to tell you how those sheets of paper are to be turned into pipes of steel as we build on this excellent track record into the future when we will see Azerbaijan becoming an important gas supplier to Europe via a new southern gas corridor.

We are well aware that energy cooperation is one of the most important components of Azerbaijan's relationships with Europe. This co-operation is based on the country's excellent track record as a reliable oil and gas supplier to world markets.

Azerbaijan first demonstrated this by the development of the world-class Azeri-Chirag-Gunashli field, which to date has delivered about 2.3 billion barrels of oil to markets mainly via the Baku-Tbilisi-Ceyhan pipeline. Azerbaijan has also proved itself to be a reliable supplier of gas from the first phase development of the giant Shah Deniz gas field which supplies gas to Turkey and Georgia through the South Caucasus Pipeline.

For over two years we have been working closely with and evaluated a number of European pipeline projects to select the best option that would become part of the planned southern corridor. And after careful consideration and years of hard work by the Shah Deniz export negotiating team, the consortium has made its selection.

I am privileged to announce on behalf of the consortium that Azerbaijan's first gas to Europe will be exported via the Trans Adriatic Pipeline (TAP) which has been selected to deliver gas to Italian and Southeast European markets.

A tremendous amount of work has been done over the last two years, particularly during the evaluation of the final transportation offers. That lengthy and comprehensive evaluation was conducted on the basis of publicly stated selection criteria. These included: commerciality, project deliverability, financial deliverability, engineering design, alignment and transparency, safe and efficient operability, scalability and public policy considerations.

We are sincerely grateful for the high quality offers that both consortia provided. We would like to take this opportunity to thank both the Nabucco West and TAP teams for those offers and for the outstanding cooperation that they have offered to the Shah Deniz consortium.

We are very pleased that the comprehensive and very competitive pipeline selection process has concluded, so that we can now move forward with the southern gas corridor. We believe today's decision is an important milestone in the consortium's multi-phased vision to opening the Southern Corridor which initially will deliver up to 10 billion cubic metres of gas a year to customers in Europe.

And looking forward we believe that if history is any guide to the future then once the first gas transportation route is opened, further market development, additional gas and infrastructure will surely follow. Shah Deniz itself is an example of this. The initial steps were to pipe some 9 billion cubic metres a year of gas from the Caspian to Georgia and Turkey. Shah Deniz 2 will nearly triple that volume and extend the pipeline connection from Azerbaijan beyond Turkey into Europe.

Without doubt Azerbaijan's additional gas resources including deeper reservoirs under existing fields as well as new exploration prospects such as Shafag-Asiman and others will add to Azerbaijan's gas exports in future. We therefore believe that a second pipeline as well as further regional interconnectors will in time be built to transport future volumes to Europe. I am sure Mr Abdullayev will more clearly outline what opportunities do exist here to underpin Azerbaijan's future links with Europe.

I would also like to take this opportunity to highlight the very good progress that the overall Shah Deniz Stage 2 project has made to date. Working closely with SOCAR and the Azerbaijani government we have already committed substantial financial and human resources to progressing each element of the project: from field development, to getting agreements in place, to engineering some 4000 kilometres of pipeline to the markets. In addition to drilling and infrastructure work offshore, preparation of the Sangachal Terminal for additional volumes is well underway as is expansion of the South Caucasus Pipeline in Azerbaijan and Georgia. In Turkey, we are working with SOCAR on the development of TANAP.

But we have more work to do before the final investment decision can be made on this historic project. Before the end of this year, we have to demonstrate that each of the projects upstream of TAP is technically robust and economically sound. Between BP, SOCAR and our partners, we still have

some work to do. But make no mistake: the progress we have made clearly indicates the serious intent of all the parties involved.

And so to conclude, today's decision is a major step in advancing this truly giant project towards final investment decision later this year. Shah Deniz Stage 2, with its associated pipelines, will cost over \$40 billion and will bring over 16 billion cubic metres of gas a year to markets. Today's announcement enables us to move forward towards the final investment decision more confidently.

Most importantly, today's decision has brought us a step closer to our important overall goal, which is in the interests of our partners, Azerbaijan and all other countries involved. And this goal is to build a direct link between Azerbaijan's huge gas resources in the Caspian and Europe's gas consumers.

I would like to thank everyone who has made this day possible. I am delighted to be speaking today alongside representatives of the Azerbaijani government, the United States and the United Kingdom whose support has proved invaluable. And I would like to finish by saying thank you once again to both TAP and Nabucco for their great contribution to the efforts that have brought us where we are today.

Thank you!