

For and on behalf of  
Georgia

For and on behalf of the  
Azerbaijan Republic

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Eduard Shevardnadze  
President

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Heydar Aliyev  
President

**AGREEMENT  
Between Georgia and the Azerbaijan Republic**

**Relating to the Transit, Transportation and Sale of Natural Gas In and  
Beyond the Territories of Georgia and the Azerbaijan Republic  
Through the South Caucasus Pipeline System**

Georgia and the Azerbaijan Republic (together the “States” or individually a “State”) represented by their respective Governments;

In recognition of the desire, readiness and willingness of each State to attract, promote and protect investment by foreign and domestic investors in respect of the pipeline project described in this Agreement involving the transit and transportation of Natural Gas in, across, to and/or through its Territory and sales of Natural Gas into (as herein contemplated) and beyond the Territories; and

In recognition that each State desires to be a transit and consumer country and desires to attract and maintain the availability of reliable and secure supplies of Natural Gas on commercial terms; and

In furtherance of, and in accordance with, the principles set forth in international trade and investment agreements and other international agreements to which each State is a party as well as the Energy Charter Treaty 1994; and

In recognition of the desire of each State to ensure the principle of freedom of transit of Natural Gas in accordance with international law norms (including the Energy Charter Treaty 1994), to provide for Natural Gas transit and transportation infrastructure in, across, to and/or through the Territory of each State, and to provide for rights to land, and to protect the environment; and

Mindful of the fact that a project involving transit of Natural Gas in, across, to and/or through the Territories is of a transnational nature requiring uniform, nondiscriminatory application of international law standards protecting investments, including nondiscriminatory treatment of investors, as set out in bilateral and multilateral agreements to which each State is a party; and

Affirming that the sale of Natural Gas in and beyond the Territories of the States will contribute to the improvement and further development of additional exploration, production, transportation, and Natural Gas sales opportunities, provide opportunities for greater utilisation of existing infrastructure to deliver Natural Gas in the States, and allow the States (and those purchasers duly licensed or otherwise duly authorised (to the extent required by applicable law) by applicable State Authorities) to have increased access to reliable Natural Gas supplies and to make it possible for the States (and such purchasers) to purchase Natural Gas from Sales Participants on mutually agreeable commercial terms on a non-discriminatory basis, as such terms are set forth in Natural Gas purchase and sale agreements; and

In consideration of the importance of creating and reinforcing an appropriate legal framework, especially during the present transition period of each State, which is in keeping with generally accepted international norms and standards, commensurate with the transnational nature of this Natural Gas transit and transportation project and Sales Activities and the required private initiative and enterprise to support Natural Gas sector investment opportunities.

HEREBY AGREE between themselves as follows:

## **Article I** **DEFINITIONS**

As used throughout this Agreement, the following definitions shall apply:

“Affiliate” means, with respect to any Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with that Person. For purposes of this definition, “control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or other equity ownership interest in an Entity, by law, or by agreement between Persons conferring such power or voting rights.

“Agreement” means this Agreement, together with its appendices, as it may be hereafter jointly amended or modified in writing by the States.

“BCM” shall mean one billion cubic meters of Natural Gas. “One cubic meter of Natural Gas” is the amount of Natural Gas that occupies the volume of one cubic meter at a temperature of plus fifteen (15) degrees Celsius at an absolute pressure of one point zero one three two five (1.01325) bar.

“Constitution” means the constitution of a State, as the same may be amended or otherwise modified or replaced from time to time.

“Entity” means any company, corporation, limited liability company, partnership, limited partnership, joint venture, enterprise, association, trust or other juridical entity or organisation, whether of a governmental or private nature, established or organised under the laws of any state or jurisdiction or by written agreement between two or more Persons.

“Facilities” means, subject to the terms of the applicable Project Agreements and in respect of each Territory, a main trunkline transmission system and interconnections for the transit of Natural Gas, and for the receipt, transportation and delivery of Natural Gas within, across, to and/or through the Territory, and all below and above ground or seabed installations and ancillary equipment, together with any associated land as provided for in the applicable Project Agreement, all receipt, delivery, treating, compressing, measuring, sampling, testing and metering facilities (which facilities shall be located in the Territory of each State), all SCADA, communications, telemetry, fiber optic and other cabling and similar equipment to support state-of-the-art system communication requirements used only for the operation, monitoring and maintenance of the SCP System (and/or used in cooperation with such other hydrocarbon pipeline project as specified in the applicable Host Government Agreement), all pig launching and receiving facilities, all Natural Gas which is used as line pack, all pipelines, conduit, and other related equipment, including power lines, used to deliver any form of liquid or gaseous fuel and/or power necessary to operate compressor and/or pump stations or for other system needs, cathodic protection devices and equipment, all monitoring posts, markers and sacrificial anodes, all terminaling, storage and related installations, all associated physical assets and appurtenances (including access roads and other means of access and operational support) required from time to time for the proper functioning of any and all thereof, constructed, installed, maintained, repaired, replaced, owned, controlled and/or operated by or on behalf of the relevant Project Investors with respect to the SCP Project, as all of the foregoing are described or provided for in the Host Government Agreement, and as they may be modified, expanded (including by way of additional pipeline loopings) or extended (including by way of laterals) in accordance with the provisions of the applicable Host Government Agreement or any other applicable Project Agreement. The throughput capacity limitation in the last sentence of the definition of “SCP System” shall also apply for purposes of this definition of “Facilities”.

“Foreign Currency” means any freely convertible currency, including Dollars of the United States of America, that is the lawful currency of a state and is issued other than by the State Authorities of any of the States, and is not subject to general limitations or restrictions of the issuing authority on conversion or exchange.

“Government” means the central government of a State.

“Host Government Agreement” means each of the Host Government Agreements, in the forms attached hereto, entered into between the Government of a State, on the one hand, and Project Investors, on the other hand, making provision (along with this Agreement and the other Project Agreements) for the SCP Project (including, without limitation, a description of the Facilities and SCP System for the SCP Project), as each such agreement may be hereafter amended, modified or extended in accordance with the terms thereof.

“Natural Gas” means the effluent vapour stream, consisting essentially of methane, produced in its natural state from wells, but including all hydrocarbon and non-hydrocarbon constituent gases produced in association with or liberated from crude oil and the residue gases resulting from the treating and processing of such effluent vapour streams after their production from gas wells or oil wells.

“Person” means any physical person or any Entity.

“Project Agreements” means (i) this Agreement, (ii) the Host Government Agreements, and (iii) such other written agreements as specifically permitted by this Agreement and the Host Government Agreements.

“Project Investor” means, the relevant Person that is a party to a Host Government Agreement (other than the Government of the respective States in the capacity of a host government counterparty to any such agreement), the operating company in respect of the SCP Project appointed by such party pursuant to the Host Government Agreement, and any successor or permitted assignee of any of the foregoing. A “Project Investor” shall include (i) in respect of any Person, its legal constituent parts, such as a branch, office and permanent establishment, or an affiliate acting on behalf of such Person or its constituent parts, and (ii) a nominee, agent or representative acting on behalf of such Person or its constituent parts.

“Sales Activities” means any and all activities relating to or arising out of, directly or indirectly, the sales or purchases of (or efforts to sell or purchase) Natural Gas that is or is to be transported through the SCP System, or other Natural Gas to the extent provided in the applicable Host Government Agreement, whether such activities are conducted in the Territories or elsewhere, take place before, on or after the Effective Date or are undertaken individually or jointly by Sales Participants, and whether or not the relevant transaction is ultimately consummated, as such activities are more fully described in the applicable Host Government Agreements; provided, however, in the case of Natural Gas that is to be sold and consumed in the Territory of a State, Sales Activities shall include such activities only to the extent provided for in the applicable Host Government Agreement.

“Sales Participant” means any Shipper; any seller of Natural Gas to the extent provided in the applicable Host Government Agreement; any Entity, consortium, organisation, venture or contractual arrangement between or among two or more such Shippers or sellers; any agent or representative of any of the foregoing; and any Affiliate of any of the foregoing (to the extent such Affiliate is an agent or representative of the foregoing); and their respective successors or permitted assignees.

“SCP Project” means the evaluation, development, design, acquisition, construction, installation, financing, insuring, ownership, operation (including the transit or transportation, and shipment, of Natural Gas by or on behalf of Project Investors and/or Shippers through the SCP System), repair, replacement, refurbishment, maintenance, capacity expansion (including by way of additional pipeline loopings) or extension (such as laterals) to the extent permitted in a Project Agreement, and protection of the SCP System, and the conduct of Sales Activities, all as contemplated by this Agreement and as specified in the Host Government Agreements and Project Agreements.

“SCP System” means, at any time and subject to the terms of the applicable Project Agreements, the pipeline project and related appurtenances and instrumentalities owned, controlled and/or operated by or on behalf of Project Investors and Shippers (including all Facilities located within the Territory of each State), comprising a single integrated system necessary for the transit or transportation of Natural Gas from a location near the city of Baku, Azerbaijan and crossing the

Azerbaijan Republic-Georgia border at a point to be agreed by the Azerbaijan Republic and Georgia and onward past the city of Tbilisi, Georgia and onward to a location on or near the Georgian-Turkish border for distribution of Natural Gas to and beyond the Territories, all as provided for by the Host Government Agreements and other Project Agreements, as such system may be modified, expanded (including by way of additional pipeline loopings) or extended (including by way of laterals) as provided for in a Project Agreement. Notwithstanding the foregoing, the throughput capacity of the SCP System shall not exceed thirty (30) BCM per year to the delivery point on or near the Georgian-Turkish border.

“Shippers” means, with respect to the SCP Project, those Persons (including, without limitation, Project Investors) that have contracted for Natural Gas transit or transportation (as well as, if applicable, any related services) through or by use of all or a portion of the SCP System.

“State Authorities”, in respect of each State, shall have the meaning given such term in the applicable Host Government Agreement.

“State Entity”, in respect of each State, shall have the meaning given such term in the applicable Host Government Agreement.

“Taxes” means all existing or future taxes, levies, duties, customs, imposts, contributions (such as social fund and compulsory medical insurance contributions), fees, assessments or other similar charges payable to or imposed by a State or State Authority (or local or regional authorities within a State), together with interest, penalties and fines (including financial sanctions and administrative penalties) with respect thereto, and “Tax” means any of the foregoing.

“Territory” means: (i) in the case of the Azerbaijan Republic, the territory of the Azerbaijan Republic, including the internal waters of the Azerbaijan Republic, the sector of the Caspian Sea belonging to the Azerbaijan Republic, the airspace above the Azerbaijan Republic, as well as any other territory determined (or which shall be determined in the future), in accordance with international law and the national law of the Azerbaijan Republic, to be territory in respect of which the Azerbaijan Republic exercises its sovereign rights, including the subsurface, the seabed, the continental shelf and natural resources in respect of such territory; and (ii) in the case of Georgia, the territory recognised by the international community within the State borders of Georgia, including land territory, internal waters, the territorial sea and the air space above them, in respect of which Georgia exercises its sovereignty, as well as the exclusive economic zone and continental shelf adjacent to its territorial sea in respect of which Georgia exercises its sovereign rights in accordance with international law.

## **Article II**

### **MUTUAL REPRESENTATIONS, WARRANTIES AND COVENANTS**

(1) The Government of each State hereby covenants to the other that, as of the execution hereof, it shall (i) promptly and properly present this Agreement to its national parliament for ratification and/or adoption in order to make it effective under its Constitution as the prevailing legal regime of such State in respect of the SCP Project under its domestic law and a binding

obligation under international law, (ii) take all steps necessary to promptly and properly present drafts of required enabling legislation and other laws as may be necessary to make this Agreement (including, without limitation, all rights, obligations or undertakings of any nature whatsoever applicable to the SCP Project in respect of the State and its Territory and Project Investors and/or Sales Participants as provided in this and the other Project Agreements attached hereto) effective under its Constitution as the prevailing legal regime of such State in respect of the SCP Project under its domestic law, including, without limitation, all such legislation as required to enact the applicable provisions of this Agreement into law in accordance with such State's authority to enact tax legislation, and (iii) use all actions within its powers to secure as soon as practicable any such ratification and/or adoption of this Agreement as well as the enactment of any such legislation prior to or along with such ratification and/or adoption.

(2) In order to carry out the provisions of Section (1) of this Article II, each State has attached as appendices hereto, and thereby made an integral part hereof, accurate, complete and unexecuted forms of the Host Government Agreement between the Government of Georgia and Project Investors (attached hereto as Appendix 1), and the Host Government Agreement between the Government of the Azerbaijan Republic and Project Investors (attached hereto as Appendix 2).

(3) The Government of each State further covenants to the other to undertake the procedures set forth in Section (1) of this Article II in respect of any Project Agreement to which it is a party whenever the terms thereof call for such ratification, adoption and/or enactment.

(4) In mutual recognition that the SCP Project will involve substantial, capital intensive and environmentally sound infrastructure development within, between, across, to and/or through each of their Territories, each State hereby covenants that, from and after the ratification and/or adoption of this Agreement by such State as provided in Section (1) of this Article II and until its termination pursuant to Article VIII, such State shall fulfill and perform, within the time periods set forth in the applicable Project Agreements, all of its duties and obligations arising under and in accordance with any applicable Project Agreement and under any sale and purchase agreement for Natural Gas with purchasers within the Territories duly licensed or otherwise duly authorised by applicable State Authorities. Accordingly, without limiting the foregoing, each State hereby covenants to the other that, fully exerting all of its lawful authority, its State Authorities shall at all times:

(i) secure the taking of all steps in addition to the ratification and/or adoption described in Section (1) of this Article II necessary to authorise, enable, and implement the SCP Project, including, without limitation, by all appropriate executive and regulatory action as required to make any applicable Project Agreement (to the extent provided herein or required therein) effective under its Constitution as the prevailing legal regime of such State respecting the SCP Project under its domestic law;

(ii) secure full support for the implementation and conduct of the SCP Project as provided by this Agreement and any Project Agreements and, in furtherance thereof, the taking of all necessary steps to assure compliance by its State Authorities with all obligations set forth in this Agreement and any Project Agreements and cooperation with the other State to establish and maintain necessary and favourable conditions as herein contemplated for the construction,

ownership and operation of the Facilities within, and the transit and transportation of Natural Gas in, across, to and/or through its Territory, and for the conduct of Sales Activities (including, without limitation, in the event of armed conflict involving the States and/or terrorist attacks or activities on the Territory to the extent provided in the applicable Host Government Agreement);

(iii) except as provided in the applicable Project Agreements, not interrupt or impede the freedom of transit of Natural Gas moving into, within, across, through or beyond its Territory by use of all or part of the SCP System, not interrupt or impede the receipt, transportation and/or delivery of Natural Gas within, to or through its Territory by use of the Facilities, and to take all necessary and lawful measures and actions required to eliminate any threat of any such interruption, impediment or curtailment of such freedom of transit, receipt, transportation and/or delivery except to the extent such interruption, impediment or curtailment has been effected to address health, safety or environmental concerns, as more fully described in the applicable Host Government Agreement;

(iv) in respect of the Azerbaijan Republic only and except as specifically provided in the applicable Host Government Agreement between the Government of the Azerbaijan Republic and the Project Investors (or other Project Agreements in respect thereof), secure for Project Investors and Sales Participants the right of access in the Territory to non-SCP System pipeline infrastructure to conduct Sales Activities, which access shall be on terms and conditions no less favourable than those offered or provided by or to other Persons;

(v) subject to, and in accordance with, the provisions of the applicable Host Government Agreement or other Project Agreements, and in connection with the conduct of Sales Activities, support, and make it possible for, the sale of Natural Gas by Sales Participants to the States (and purchasers duly licensed or otherwise duly authorised (to the extent required by applicable law) by applicable State Authorities) on mutually agreeable commercial terms on a non-discriminatory basis, as such terms are set forth in Natural Gas purchase and sale agreements between the States (and/or such purchasers) and such Sales Participants, and secure the interconnection of the Facilities with pipelines owned by other Persons, to permit the transit and transportation of Natural Gas in, across, to and/or through the Territories;

(vi) except as specifically provided in the applicable Host Government Agreement or other Project Agreements, exempt the Project Investors and/or Sales Participants from all applicable laws in respect of business competition, antitrust, restraint of trade, business combinations and other similar legal constraints or prohibitions respecting how they may undertake their respective SCP Project activities.

(vii) secure the granting of rights to land in its Territory for the Facilities under clear commercial terms and conditions of usage (including, without limitation, any rights of indemnification and release from any and all costs and obligations associated with obtaining such rights to land), all as provided in the applicable Host Government Agreement;

(viii) secure the provision to the other State of information sufficient to keep the recipient State fully informed on a timely basis with respect to the status of its efforts to accomplish

all ratifications and adoptions and the prompt furnishing of written evidence of all such actions to the other State;

(ix) secure the taking of all necessary measures, as specifically provided under the applicable Host Government Agreement or other Project Agreements, to avoid delays and operational difficulties (not otherwise herein described) respecting the SCP Project (except to the extent such delays or difficulties are caused by the actions or inactions of a Project Investor or any agent or representative thereof), including, in particular, the avoidance of administrative, regulatory or other similar procedural delays which might adversely affect the design, construction, ownership, operation, capacity expansion (including by way of additional pipeline loopings) or extension (such as interconnects or laterals), and maintenance of the SCP System or the conduct of Sales Activities;

(x) secure the authorisation and facilitation of the importing into and exporting or re-exporting from the Territory of Foreign Currency in respect of the SCP Project by those Persons involved in the SCP Project and confirmation of those Persons' right to utilise, without restriction by State Authorities, Foreign Currency accounts in the Territory and to exchange any such currency at current market rates in connection with the SCP Project;

(xi) except as specifically provided under any applicable Host Government Agreement or other Project Agreements, and subject to the provisions of Section (3) of Article III, secure the right to freely move goods, materials, supplies, technology and personnel to and among the Facilities and in and between each of the Territories, including, without limitation, the right to import into or export or re-export from the Territory (free of all Taxes, including, without limitation, customs duties and restrictions) all equipment, materials, machinery, tools, vehicles, spare parts, supplies, hydrocarbons (including fuel) and all other goods, works, services or technology necessary or appropriate for the SCP Project;

(xii) secure cooperation in the conduct of negotiating and entering into such other international agreements or multilateral agreements as may be necessary between and among the States and other states and international institutions to authorise, enable and support the implementation of the SCP Project;

(xiii) secure cooperation and support for all financing efforts and activities by any Project Investor in respect of the SCP Project, including, upon the request of any such Project Investor (on its own behalf, or on behalf of a Shipper) (and in accordance with the provisions of the applicable Host Government Agreement), the confirmation in writing to any financial institution (including, without limitation, any multi-lateral lending agency or export credit agency) of all rights, obligations and undertakings of any nature whatsoever contained in any Project Agreement, such confirmation not to be unreasonably withheld; and

(xiv) to ensure the uniform, non-discriminatory application of international law standards protecting investments, including non-discriminatory treatment of investors, as set out in bilateral and multilateral agreements to which each State is a party, and to ensure that the Project Investors and Sales Participants, and their respective investments, in respect of the SCP Project are accorded treatment that is no less favourable than the treatment such State accords to its own investors or to investors of any other state, whichever is the most favourable.



(5) Each State hereby represents and warrants that the terms and conditions of this Agreement and the undertakings hereunder are in conformity with its Constitution and that, upon the taking of the actions with respect to the ratification and/or adoption provided in this Agreement and any other applicable Project Agreement (to the extent herein or therein required) will be effective as the prevailing legal regime of the State respecting the SCP Project under its domestic law.

(6) With respect to this Agreement, each State hereby represents and warrants that, as of its ratification and/or adoption as herein contemplated, the State is not a party to any domestic or international agreement or commitment or lawfully bound to observe or enforce any domestic law or regulation, or international agreement between or among states, that conflicts with, impairs or interferes with this Agreement or limits, abridges or adversely affects the State's ability to implement this Agreement or enter into and implement any other applicable Project Agreement.

(7) Except as otherwise expressly provided in the forms of applicable Host Government Agreements attached hereto pursuant to Section (2) of Article II and as of the date this Agreement enters into force, each State further represents and warrants that (i) the State's representation and warranty set forth in Sections (5) and (6) of this Article II remains true and correct respecting the SCP Project and (ii) the State is not party to any domestic or international agreement or commitment or, upon fulfillment of the obligations undertaken in Sections (1), (3) and 4(i) of this Article II, lawfully bound to observe or enforce any domestic law or regulation, or international agreement or treaty, that conflicts with, impairs or interferes with the implementation of the SCP Project or limits, abridges or adversely affects any rights, privileges, exemptions, waivers, indemnifications or protections granted or arising under this Agreement or the other applicable Project Agreements.

(8) Each State hereby represents, warrants and covenants that (i) the SCP Project is not and shall not be regulated as a public utility, (ii) the SCP Project shall not involve the provision of services to the public at large in its Territory for purposes of satisfying the general or common needs of the populace, (iii) the SCP Project is not intended or required to operate in the service of the public benefit or interest in its Territory, (iv) as such, no applicable Project Agreement shall be characterised or treated, in whole or in part, as a concession contract, a special administrative contract granting a concession, or a public utility tariff or operating statement, and (v) except as otherwise set forth in the applicable Host Government Agreement, each of the Project Investors and/or Sales Participants shall be exempt from all applicable laws in respect of licensing, authorisations or other similar approvals in connection with the conduct of Sales Activities, and each of the Project Investors and/or Sales Participants also shall be exempt from all applicable laws in respect of any duties or obligations associated with being a public utility, Natural Gas utility, utility, concessionaire, or other similar regulatory classification that, *inter alia*, would establish regulatory jurisdiction over the SCP System or the manner or method that services are provided in respect of the SCP System.

(9) The provisions of this Agreement shall not limit, abridge, or in any manner affect the right of each State, without the consent or agreement of the other, to enter into any Project

Agreements and/or to modify, amend, replace, extend or terminate any Project Agreements, all as agreed with the applicable Project Investors and/or Shippers.

### **Article III** **SECURITY AND ACCESS**

(1) Before and during the construction, installation and operation of any Facilities including, without limitation, later capacity expansions (including by way of additional pipeline loopings) or extensions (such as interconnects and laterals) thereof to the extent permitted in a Project Agreement, each State shall, if and when deemed necessary by Project Investors in connection with the SCP Project, search the area within its Territory where evaluative or construction work or operations is to be performed with respect to the Facilities for mines, unexploded ordnance or other explosive charges, traps or devices, and safely detonate and/or remove them. The extent of any liability arising under this Section (1) of Article III shall be reflected in the applicable Project Agreements.

(2) Each State shall ensure the safety and security of all personnel within its Territory associated with the Facilities, and all Natural Gas in transit or being received, transported and/or delivered within, to or through its Territory with respect to the SCP Project; and, without limiting the foregoing, each State shall use the security forces of that State, and/or make provision for such security personnel and services, as may be necessary to satisfy this obligation, to ensure the safety and security of all personnel within its Territory associated with the Facilities, and all Natural Gas in transit or being transported within, to or through its Territory with respect to the SCP Project. The extent of any liability arising under this Section (2) of Article III shall be reflected in the applicable Project Agreements.

(3) Subject only to the enforcement of applicable immigration, customs, criminal laws, and other relevant laws in effect in the Territory and as provided in the applicable Project Agreements, each State shall (i) ensure the right of access to and from its Territory and the Facilities related to the SCP Project by the applicable Project Investors and those other Persons seeking such access on behalf or with the consent of such Project Investors, and (ii) permit a right of free movement in its Territory for such Persons, their personal property and all assets of any such Persons relating to the SCP Project.

### **Article IV** **TECHNICAL, SAFETY, AND ENVIRONMENTAL STANDARDS**

Each State shall cooperate and coordinate with the others and the applicable Project Investors in the formulation and establishment of uniform technical, safety and environmental standards for the construction, operation, repair, replacement, interconnection, capacity expansion (including by way of additional pipeline loopings) or extension (such as laterals) to the extent permitted in a Project Agreement, and maintenance of the Facilities in accordance with international standards and practices within the Natural Gas pipeline industry (which standards and practices shall be set forth in the applicable Host Government Agreement) and such other requirements as set

forth in the relevant Project Agreements, which shall apply notwithstanding any standards and practices otherwise applicable under the domestic law of the respective State.

## **Article V** **TAXES**

(1) Except as otherwise specifically provided under the applicable Host Government Agreement and without limiting the express terms thereof, no Project Investor, Sales Participant or Person who provides goods, works, technology or services with respect to all or any part of the SCP Project shall be subject to any Taxes arising from or related, directly or indirectly, to the SCP Project, the Facilities or SCP System, all Natural Gas which is received, transported or delivered through the Facilities or SCP System, other Natural Gas to the extent provided in the applicable Host Government Agreement, or any related assets or SCP Project activities (including Sales Activities).

(2) If any Tax is imposed in accordance with an applicable Host Government Agreement on the profit of a Project Investor for a calendar year with respect to the SCP Project, such Tax shall be limited to such Project Investor's profit which is attributable to the SCP Project in the Territory for such calendar year. Any such Tax shall be as set forth in the applicable Host Government Agreement, consistent with the provisions of this Agreement. For purposes of computing such Taxes in respect of each State, any revenues, and any costs or expenses, which are attributable to the overall activities of the SCP System (or to a portion of the SCP System located both inside and outside the Territory of the State) are to be allocated to the State based on an allocation which takes into account the relative length of the SCP System located in the Territory of the State, provided that such allocation is applied by the Project Investor in a reasonable manner in accordance with practices that are generally accepted in the international Natural Gas transportation industry and on a consistent basis from year to year. Under each such Tax, each Project Investor with respect to the SCP Project shall be entitled to deductions which provide for the recovery (whether by expensing, amortising or depreciating) of all costs and expenses associated, directly or indirectly, with the SCP Project, wherever incurred, which are attributable to the revenues of the Project Investor upon which such Tax is imposed. For purposes of this Section (2) of Article V, costs and expenses shall include, without limitation, capital expenditures.

(3) Notwithstanding the foregoing, except as otherwise specifically provided under the applicable Host Government Agreement and without limiting the express terms thereof, no Taxes shall be imposed or withheld with respect to payments or deemed payments to any entity organised outside the Territory by all or any of the Project Investors, Sales Participants or Persons who provide goods, works, technology or services (including, without limitation, credit, financing, insurance or other financial accommodations) with respect to all or any part of the SCP Project, or any branch or permanent establishment thereof, to the extent such payments or deemed payments are associated, directly or indirectly, with the SCP Project or any related assets or SCP Project activities (including Sales Activities).

**Article VI**  
**IMPLEMENTATION COMMISSION**

(1) The States hereby establish a commission consisting of two (2) representatives from each State to oversee compliance with and facilitate the implementation of this Agreement. Within thirty (30) days after the date hereof each State shall designate in writing to the others its representatives to such commission, which representatives shall be fully authorised and empowered by the respective State to act on its behalf with regard to any matter properly brought before the commission in respect of the SCP Project. Each State shall similarly provide notice in writing to Project Investors of its current representatives to the commission for the SCP Project within thirty (30) days after its entry into a Host Government Agreement. Each State may change its representative(s) effective upon delivery of written notice to the other State and to Project Investors.

(2) The commission described herein shall meet at the written request of either State or the Project Investors (delivered through the appropriate government representatives as defined in the Host Government Agreements) and, in response to such a request, the States shall promptly consult each other and, as appropriate, the pertinent Project Investors in order to provide prompt, effective and reasonable assistance on the implementation of the SCP Project as well as to resolve in good faith any complications, issues, problems or disputes that may arise in connection with this Agreement, or to discuss any matter relating to the interpretation, application or enforcement of this Agreement.

(3) In addition to other matters which may be considered from time to time, the commission shall take all appropriate action to facilitate the following with respect to the SCP Project:

(i) in accordance with Section (3) of Article III, the unimpeded movement of goods, materials, supplies, technology and personnel to and among the Facilities and in and between each of the Territories including, in particular, instances where the periodic and recurring crossing of the international boundaries is involved in the SCP Project;

(ii) the identification and implementation of standards and procedures pertaining to the interconnection of the Facilities at the borders of the Territories; and

(iii) in accordance with the relevant legislation of the particular State, the use by Project Investors of exclusive and common radio and telecommunication frequencies in each Territory, the operation by Project Investors of aircraft to fly over the Facilities and SCP System during route evaluation, construction, installation, operation, interconnection, capacity expansion (including by way of additional pipeline loopings) or extension (such as laterals) to the extent permitted in a Project Agreement, and maintenance and other measures to facilitate and allow the uniform and efficient operation of the SCP System in, across, between and/or to the Territories of the States.

**Article VII**  
**FURTHER ACKNOWLEDGMENTS AND AGREEMENTS**

(1) Each State acknowledges that it has received and reviewed copies of this Agreement and, upon execution of the Project Agreements referred to in Section (2) of Article II, represents and warrants that it finds those agreements acceptable to such State for purposes of implementing the SCP Project.

(2) Each State acknowledges and agrees that title to all Natural Gas transported through the SCP System shall remain vested in or on behalf of Project Investors and/or Shippers in accordance with their commercial agreements, from time to time, and except to the extent the State or any State Authority is acting in the role of a commercial participant in the SCP Project or is a party to, or beneficiary under, a commercial agreement for the purchase of Natural Gas, the State shall not claim, nor allow others to claim on its behalf, title to or ownership of any Natural Gas in the SCP System.

(3) Each State (i) acknowledges, as of the date this Agreement enters into force, that the existing law in such State shall conform to all terms and provisions set forth in this Agreement and the other applicable Project Agreements, and (ii) confirms its intention and the mutual interest of each State to have its law support, authorise and conform to all such terms and provisions and to have such terms and provisions prevail over any conflicting laws in order to facilitate the implementation and operation of the SCP Project in accordance with the applicable Project Agreements.

(4) Each State acknowledges that if a State takes any action, fails to take any action or suffers or permits the taking of any action or occurrence of an event which interrupts or otherwise impedes, or threatens to interrupt or impede, the SCP Project, including, without limitation, the flow of Natural Gas through the Facilities or SCP System, such State shall use, except in the cases of threats to health, safety and the environment in which cases the provisions of Section (4)(iii) of Article II shall apply, all lawful and reasonable endeavours, taking into account democratic, economic and commercial principles, to eliminate the threat and rectify any interruption or impediment and promote restoration of all SCP Project activities at the earliest opportunity.

(5) Each State acknowledges, consents and agrees that, without limiting the duty of each State to use all lawful and reasonable endeavours to fully perform hereunder, any failure by or refusal by a State to fulfill or perform all of its obligations, take all actions and grant all rights as provided in any applicable Project Agreement shall constitute a breach for which any injured Project Investor or other Person specifically permitted under any applicable Project Agreement shall be entitled to such remedies, including, without limitation, prompt, adequate and effective compensation for any economically assessable damages sustained, inclusive of interest, as are set forth in any applicable Project Agreement.

**Article VIII**  
**EFFECT, INTERPRETATION AND DISPUTE RESOLUTION**

(1) This Agreement shall be effective as of the date hereof with respect to Section (1) of Article II. Upon the entry into force of this Agreement, all matters relating to Taxes shall become effective as of the date hereof.

(2) Upon ratification and/or adoption of this Agreement by a State, such State shall promptly deliver to the other State an instrument of ratification of this Agreement. Upon the delivery of the last instrument of ratification by one State to the other State, this Agreement shall enter into force. Following such entry into force, each State shall cause to be prepared a certified translation of the executed Agreement into its official language and shall deliver such translation to the other State. Each State shall deliver to the other State a copy of all Project Agreements which it or any of its State Authorities has executed as well as a copy of the ratified text of any such agreement and a certified translation of any such agreement into its official language. In respect of any amendments or modifications to any existing Project Agreement and/or any new Project Agreement to which a State or any of its State Authorities is a party, the State shall deliver to the other State a copy of the ratified text of any such amended or new Project Agreement as well as a fully executed copy of such agreement and a certified translation of any such agreement into its official language.

(3) This Agreement shall terminate upon the termination or expiration of all Project Agreements and the conclusion of all activities thereunder in accordance with the terms of such agreements.

(4) The States shall endeavour to settle disputes between them concerning the application or interpretation of this Agreement through the commission formed under Article VI or through diplomatic channels. If, in the sole discretion of a State, and regardless of the status of consultations undertaken by any commission or similar body established pursuant to this Agreement or through diplomatic efforts, a dispute between or among them has not been settled, that State may, upon written notice to the other State, submit the matter for final and binding resolution to an *ad hoc* tribunal under this Article VIII. Such an *ad hoc* tribunal shall be constituted and shall conduct proceedings in accordance with the dispute resolution provisions contained in Article 27(3) of the Energy Charter Treaty 1994, applying those dispute resolution provisions *mutatis mutandis* to this Agreement.

(5) Each State acknowledges, consents and agrees that, unless the applicable Project Agreement otherwise provides, any dispute between a State and a Project Investor and/or Sales Participants related to the SCP Project under an applicable Project Agreement shall be subject to the dispute resolution provisions of the Host Government Agreement applicable to such State.

