

BP in Azerbaijan Sustainability Report 2009



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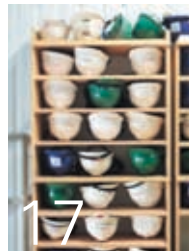
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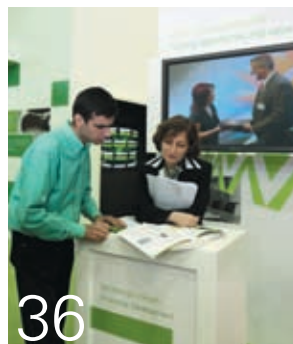
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About this report

The BP in Azerbaijan Sustainability Report 2009 covers our business performance, environmental record and wider role in Azerbaijan during 2009. This is our seventh Sustainability Report and reflects the feedback we received about previous reports.

At BP we define sustainability as the capacity to endure as a group: by renewing assets; creating and delivering better products and services that meet the evolving needs of society; attracting successive generations of employees; contributing to a sustainable environment; and retaining the trust and support of our customers, shareholders and the communities in which we operate.

The BP in Azerbaijan Sustainability Report 2009 is an annual report issued by BP Exploration (Caspian Sea) Limited, in its capacities as operator and manager of the Joint Operating Company for the ACG field and as manager of The Baku-Tbilisi-Ceyhan Pipeline Company, and by BP Exploration (Shah Deniz) Limited, in its capacities as operator of the Shah Deniz field and as technical operator of The South Caucasus Pipeline Company. Each of these entities provided information relevant to its project and made any statements applicable to its project.

Unless otherwise specified, the text does not distinguish between the operations and activities of BP p.l.c. and those of its subsidiaries and affiliates. References in this report to 'us', 'we' and 'our' relate to BP in Azerbaijan unless otherwise stated. In this report, when we refer to BP in Azerbaijan we refer to the SPU's activities in Azerbaijan only. If we refer to BP Azerbaijan SPU, we are referring to the SPU's activities in Azerbaijan, Georgia and Turkey. Specific references to 'BP' and the 'BP group' mean BP p.l.c., its subsidiaries and affiliates.

 The earlier publications are available at: www.bp.com/caspian

Cover image

Emil Aliyev, DWG
HSE advisor, and
Asif Ahmadov, DWG
production operator,
discuss the upcoming
work at drilling, utilises
and quarters (DUQ)
chemical tote tank

Cautionary statement

The BP in Azerbaijan Sustainability Report 2009 contains certain forward-looking statements in particular relating to recoverable volumes and resources, capital, operating and other expenditures, and future projects. Actual results may differ from those expressed in such statements depending on a variety of factors including supply and demand developments, pricing and operational issues and political, legal, fiscal, commercial and social circumstances.

An introduction to Ernst & Young's assurance process

We have reviewed the BP in Azerbaijan Sustainability Report 2009 in order to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Azerbaijan are supported by evidence or explanation. Our scope of work and conclusions can be found on page 47.

Management introduction

Foreword

Rashid Javanshir President, BP Azerbaijan SPU



“ 2009 was an exciting time for the SPU. We celebrated the 15th anniversary of the signing of the ACG production sharing agreement. ”

We continue to run our business in Azerbaijan with a major focus on safety. We employ advanced technology, well trained people, stringent safety and integrity processes and systems and maintaining this high level of safety and integrity in our operations is our priority. We work in close cooperation with the State Oil Company of Azerbaijan Republic and relevant ministries, keeping one another informed of activities, and always aspire to improve.

Over the course of 2009, our oil output exceeded 40 million tonnes (more than 298 mln barrels). We achieved an average daily production rate of 817,700 barrels of oil from the Azeri-Chirag-Deepwater Gunashli (ACG) platforms. The Shah Deniz (SD) field generated about 6.2 billion standard cubic metres of gas and around 1.7 million tonnes of condensate and we delivered about 10.7 million cubic metres per day of ACG-associated gas to SOCAR.

On September 20th, we celebrated the 15th anniversary of the signing of the ACG production sharing agreement, generally known as “the Contract of the Century”. What started as a vision in 1994 has turned into a lasting success story. With our co-venturers, we have designed and built platforms, pipelines, fabrication yards and terminals. The latest technologies have been imported to Azerbaijan to produce hydrocarbons and transport them successfully to world markets. Thousands of individuals have been recruited and trained, and we have supported many communities located near our operational sites.

Safety has been, and will always remain, our top priority. Unfortunately, 2009 was overshadowed by a fatality at Dada Gorgud drilling rig. This incident has been taken extremely seriously and we are implementing many changes, especially in the areas of lifting and dropped objects. Yet it should not be allowed to obscure other trends. Total incidents for offshore operations nearly halved in 2009 compared to 2008. Significant progress was made onshore too. Our total vehicle accident rate in Azerbaijan, for example, declined by 55% in 2009.

At Sangachal we commissioned a new produced water facility as part of the terminal’s expansion programme. The capacity of the Baku-Tbilisi-Ceyhan (BTC) pipeline was increased to 1.2 million barrels per day through the use of drag reducing agents. Another milestone was the signing of a memorandum of understanding with SOCAR to jointly explore and develop the Shafag and Asiman prospects in the Azerbaijan sector of the Caspian Sea.

Our impact on Azerbaijan’s private sector remained substantial. During 2009, 27 local companies signed new long term contracts with us worth over \$550 million. Investment in communities near our facilities in Azerbaijan was concentrated on income generation and the expansion of economic opportunities. In 2009, together with our co-venturers, we committed around \$3 million to such projects.

Building a high calibre workforce remained a key objective and we made real progress. In 2009 about 84% of permanent professionals in BP in Azerbaijan were national employees. Almost \$6 million was invested in training and developing our staff. We continued to implement the voluntary principles on security and human rights. And several of our employees received awards from the President of Azerbaijan for their contributions to the development of the country’s oil industry.

These are some of the highlights of 2009. This report describes in greater detail what turned out to be an excellent year for the SPU. I hope you will find it interesting and informative.

Deepwater Horizon - 2010

The tragic incident and oil spill in the Gulf of Mexico has highlighted the social and environmental risks of our business. In Azerbaijan and elsewhere around the world, BP and its co-venturers aim to manage their operations in a safe and responsible manner.

How BP operates

BP in Azerbaijan in perspective



Recruitment process at business exhibition centre

Our vision

Our vision is to be a valued, trusted and long term partner in the development of Azerbaijan's hydrocarbon resources. We remain committed to delivering world class operations and projects and maintaining a sustainable presence in the Caspian region.

An obligation to work safely at all times, to protect the environment and to respect human rights lies at the heart of this commitment. We believe our objectives will be realised by enhancing workforce capability, generating local content and building capacity. Long term value will be achieved by improving the efficiency of our facilities, developing assets and maximising oil and gas recovery rates.

Our values

We operate in accordance with BP group values, standards and strategy. In consequence a number of fundamental and enduring qualities common to all BP operations worldwide drive our activities. These include being progressive, responsible, innovative and performance driven.

Safe, reliable operations are paramount at all times and we strive to achieve no accidents, no harm to people and no damage to the environment. Technology and the skills of our people and their continuous improvement help us make progress towards these goals.

The principle of mutual advantage lies at the heart of our business and community relationships. In all our activities we expect the highest ethical standards and behaviour in accordance with the BP group's code of conduct.

Our management structure

As of end 2009, BP Azerbaijan SPU leadership structure comprised 11 groups of which 10 are headed by a vice-president and one by the chief financial officer reporting to the president of the SPU - offshore operations; onshore operations; drilling, completions and interventions; renewals; major projects; health, safety, environment and technical; human resources; finance; communications and external affairs; Shah Deniz full field development; and country vice-president, Turkey.

Our business strategy

Our strategy in Azerbaijan reflects BP group strategy. This is to create value for shareholders by producing energy in a way that is affordable, secure and does no damage to the environment.

We expect to make investments across the full life cycle of our assets using the latest technology to improve productivity, access and competitive advantage. We strive to strengthen our competitive position by securing new access, by exploration success and by deepening relationships with the host government and other key stakeholders. In parallel we work to enhance local employee capabilities and to ensure that our operations do no harm to people or communities.

BP in Azerbaijan at a glance

Our structure, organisation, assets and history

Legal structure	BP operates within a number of legal entities in Azerbaijan, reflecting its evolution in the country and the region since 1992. The principal legal entity is BP Exploration (Caspian Sea) Ltd.
BP Azerbaijan Strategic Performance Unit (SPU)	The BP Azerbaijan SPU is the BP organisational unit which functions in Azerbaijan, Georgia and Turkey. In Azerbaijan, BP operates under a number of production sharing agreements (PSAs) and host government agreements (HGAs) signed with the government of Azerbaijan. In Georgia and Turkey it operates under HGAs that cover export pipelines and terminals.
Business structure	At the end of 2009, ten vice-presidents and a chief financial officer (CFO) reported to the president of BP Azerbaijan SPU.
Registered address	The registered address in Azerbaijan is Villa Petrolea, 2 Neftchilar Prospekti (Bayil), Baku AZ1003, Azerbaijan. Telephone: + 994 12 497 9000. Fax: + 994 12 497 9602.
Employees	At the end of 2009, the number of Azerbaijani citizens permanently employed by BP in Azerbaijan was 1,975.
Offshore production assets	(1) Azeri-Chirag-Deepwater Gunashli (ACG) ^a is the largest oil field in the Azerbaijan sector of the Caspian Sea (2) Shah Deniz (SD) is a large offshore gas and condensate field.
Operational offshore facilities (end 2009)	Chirag platform; Central Azeri (CA) - production, drilling and quarters platform; CA - compression&water injection platform; West Azeri platform; East Azeri platform; Shah Deniz platform; Deepwater Gunashli (DWG) - drilling, utilities and quarters platform; DWG - production, compression, water injection and utilities platform.
Transportation and capacity (end 2009)	Transportation: Western Route Export Pipeline (WREP) - an 830km pipeline linking Sangachal terminal to Supsa on Georgia's Black Sea coast. Sangachal terminal - an oil and gas processing terminal south of Baku. Baku-Tbilisi-Ceyhan pipeline (BTC) - a 1,768km oil pipeline (443km in Azerbaijan) linking Sangachal terminal to Ceyhan marine terminal in Turkey. South Caucasus pipeline (SCP) - a 690km gas pipeline between Sangachal terminal and the Georgia/Turkey border. Capacity at year end 2009: BTC – 1.2 mmbd; SCP – 22 mmscm/d; WREP – 106 mbd. Terminal: Sangachal – able to process in excess of 1.2 million barrels of oil per day (162,000 tonnes/day) and 35.4 mmcm/day (25.5 Shah Deniz and 9.9 DPCU) of gas. Crude oil storage capacity of 3 million barrels (405,000 tonnes).
Exploration activity	Araz-Alov-Sharg – a frontier exploration area.
Other activity	Memorandum of understanding signed with SOCAR in 2009 to explore and develop jointly the Shafag and Asiman structures in the Caspian Sea.
Capital expenditure	About \$29.5 billion on the ACG, BTC, SD Stage 1 and SCP projects since inception.
Oil production	AIOC 1997- 2009: 1,343 million barrels in total and 298.4 million barrels in 2009.
Gas production	BP Exploration Shah Deniz Limited 2006-2009: SD gas production more than 16.6 bscm in total and 6.2 bscm in 2009; SD condensate 35.1 million bbl in total and around 13.1 million bbl in 2009.

^a Shallow-water Gunashli is developed by the State Oil Company of Azerbaijan Republic (SOCAR).

Leadership team of BP Azerbaijan SPU (end 2009)



Rashid Javanshir

President of BP Azerbaijan SPU*

Rashid became president in September, 2009. He has extensive leadership experience in exploration, operations, group strategy and communications in the UK, USA and Azerbaijan. He is a professor of geology and geophysics.



Paul Clyne

Resource vice president

Paul is accountable for resource progression and management across the SPU, including exploration, base and reservoir management and new well planning. He has operational leadership experience in BP developments such as Schiehallion, Andrew and Harding in the North Sea and has worked in Alaska, Canada and Norway.



Bruce Luberski

Developments vice president

Bruce is accountable for line delivery of all major projects and small projects. Before this he was responsible for delivery of the ACG project and potential projects in the SD and ACG fields. He has extensive operations and projects experience in the U.S.



Mark Thomas

Operations vice president

Mark is accountable for safe, reliable and efficient offshore operations, which includes six offshore platforms. He has 28 years of experience in BP including in Canada, the UK, the Netherlands, and Trinidad & Tobago. In 2006-2009 he was performance unit leader for the Southern North Sea and Central North Sea.



Kemp Copeland

Midstream vice president

Kemp is accountable for safe, reliable and efficient operations across midstream assets (Sangachal terminal and pipelines) in Azerbaijan, Georgia and Turkey. He joined BP Azerbaijan SPU in 2007. Previously he led the Greater Prudhoe Bay field organization in BP in Alaska.



Greg Mattson

HSE and engineering vice president

Greg is responsible for health, safety, environmental, engineering and operations programmes, as well as information technology in Azerbaijan. He has 28 years of experience with BP in engineering, projects, operations, subsurface, commercial and leadership roles.

* Until September, 2009, Bill Schrader was president of BP Azerbaijan SPU.



Sue Adlam-Hill

Human resources vice president
Sue directs human resources (HR). She has degrees in experimental psychology and personnel management and more than 20 years with BP in Europe, US, Middle East and now Azerbaijan.



Seymour Khalilov

Communications, external affairs & security vice president
Seymour oversees BP's external relations, reputation and security. He joined BP in 2006 as external affairs manager, responsible for government and international NGO relations. Previously he was head of the US-Azerbaijan Chamber of Commerce in Washington, DC.



Al Cook

Shah Deniz (SD) development vice president
Al is accountable for overall delivery of the SD project. He has held a series of E&P business and project development leadership roles in the North Sea, Vietnam and Gulf of Mexico. He has also worked in BP's executive offices in London, Houston and Moscow.



Gary Christman

Drilling and completions vice president
Gary is accountable for new well delivery and well repair including engineering planning and operational execution. He has 35 years of industry experience in many of the worlds' energy basins. He was most recently BP Alaska SPU wells director and VP.



David Quellhorst

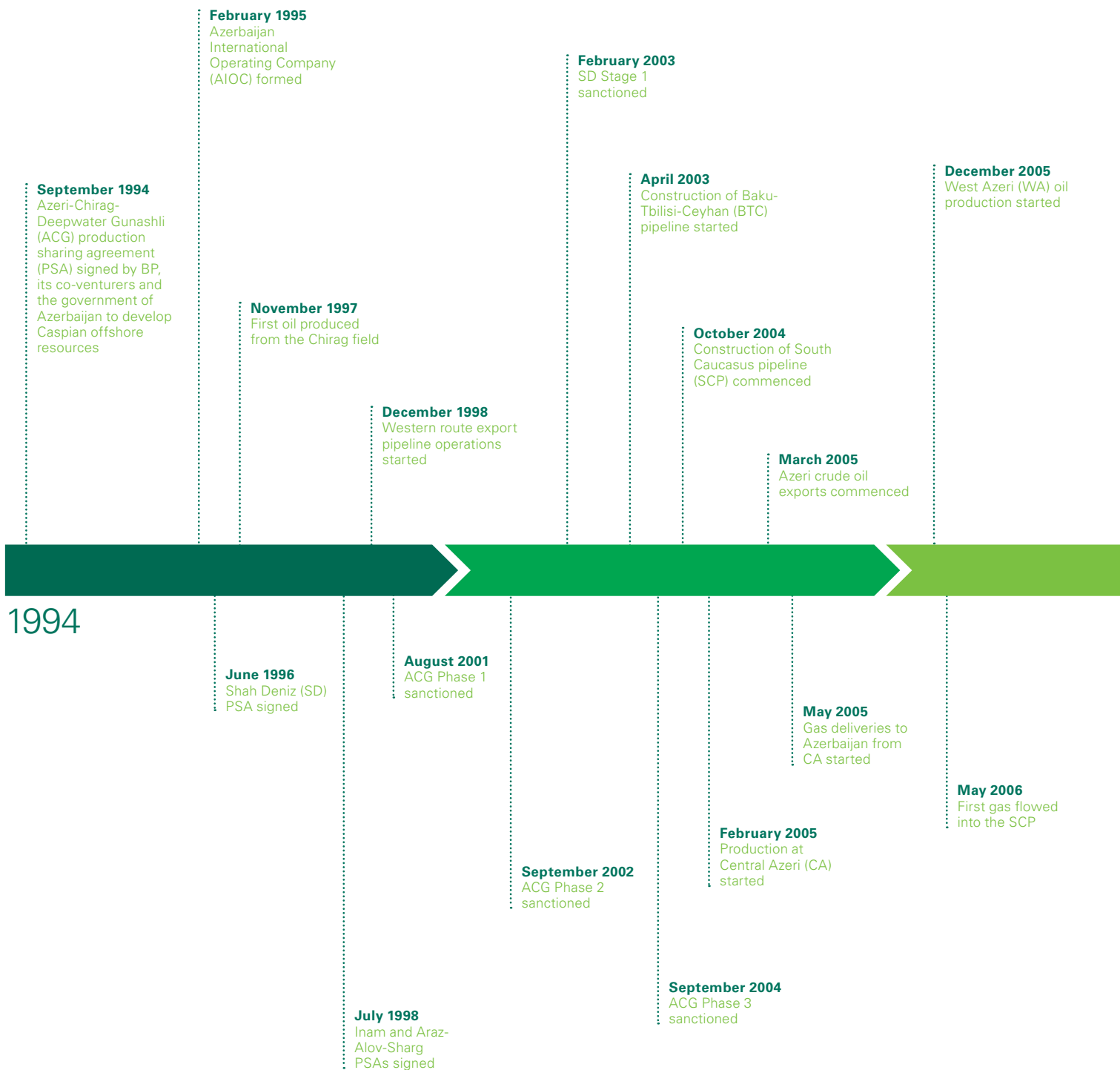
Chief financial officer (CFO)
David has responsibility for planning and performance management, joint venture management, commercial operations, business development, finance & control, procurement and supply chain management. His previous job was CFO of BP's Egypt SPU. He has 26 years of experience in finance, commercial and engineering management.

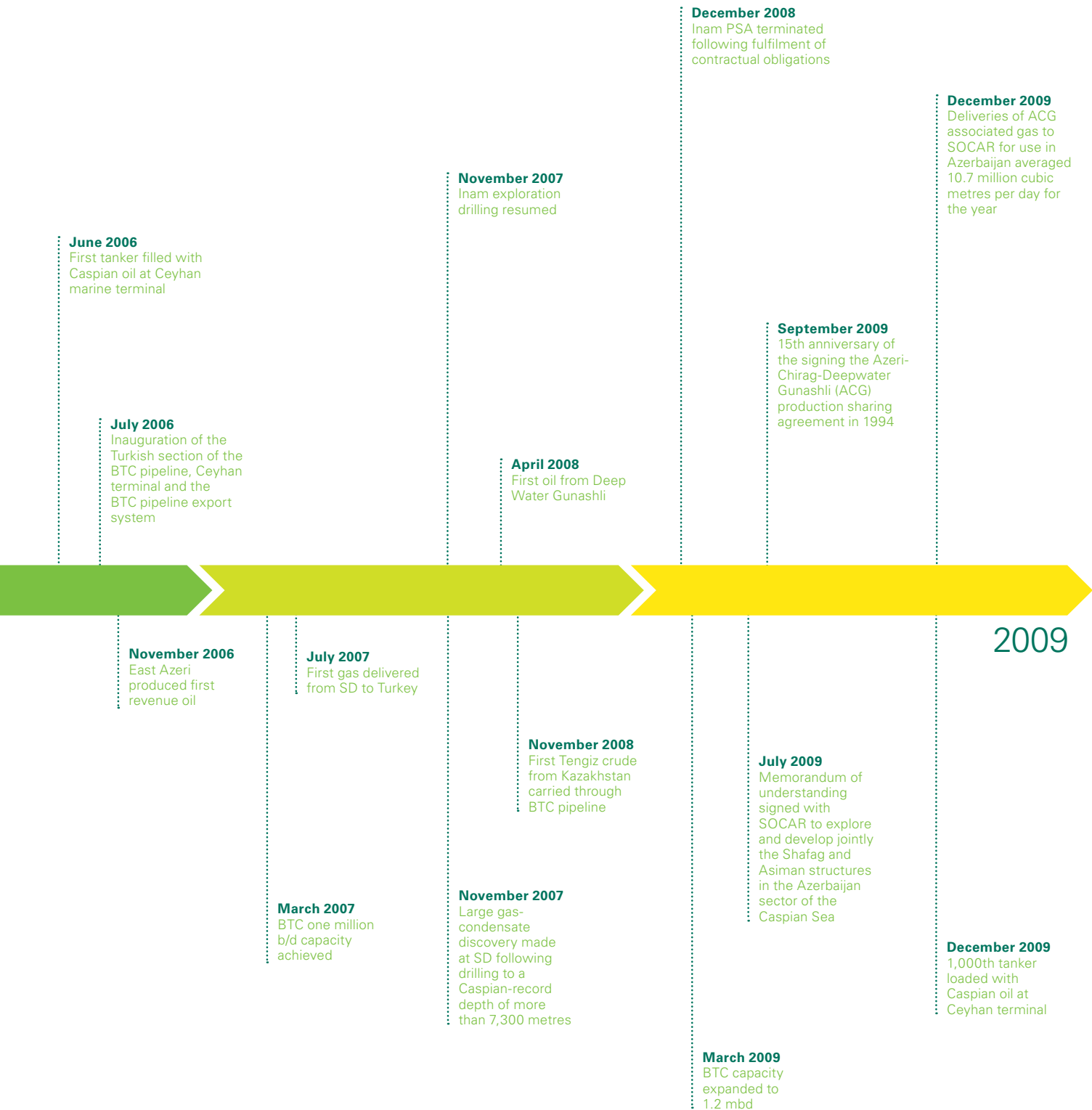


Djan Suphi

Turkey vice president
Djan is accountable for the integrated delivery of our business in Turkey as well as in-country relationships and risk management. Djan joined BP in 1996. In 2008, he was appointed to the position of head of country, Turkey. As country VP, Turkey, Djan's responsibilities span across both E&P and R&M segments.

History



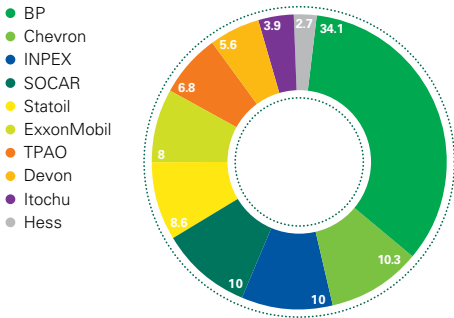


How BP operates

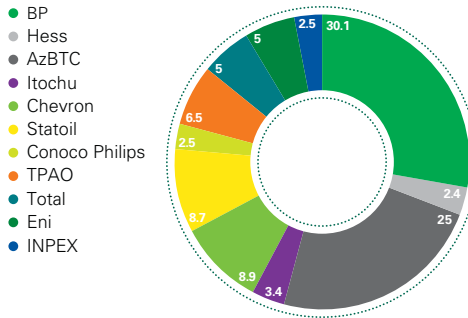
BP Azerbaijan SPU interests

Co-venturers' interests in BP Azerbaijan SPU-operated projects in Azerbaijan^a (%)

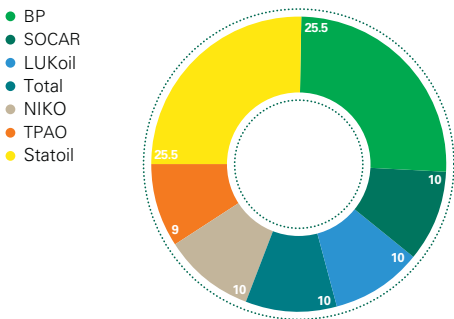
Azeri-Chirag-Deepwater Gunashli (ACG)



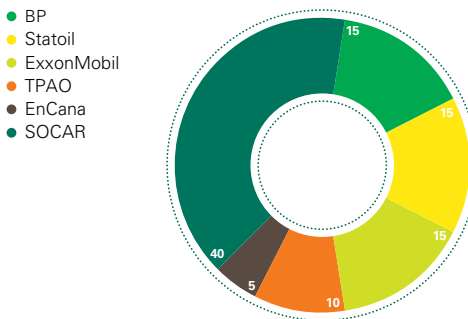
Baku-Tbilisi-Ceyhan (BTC)



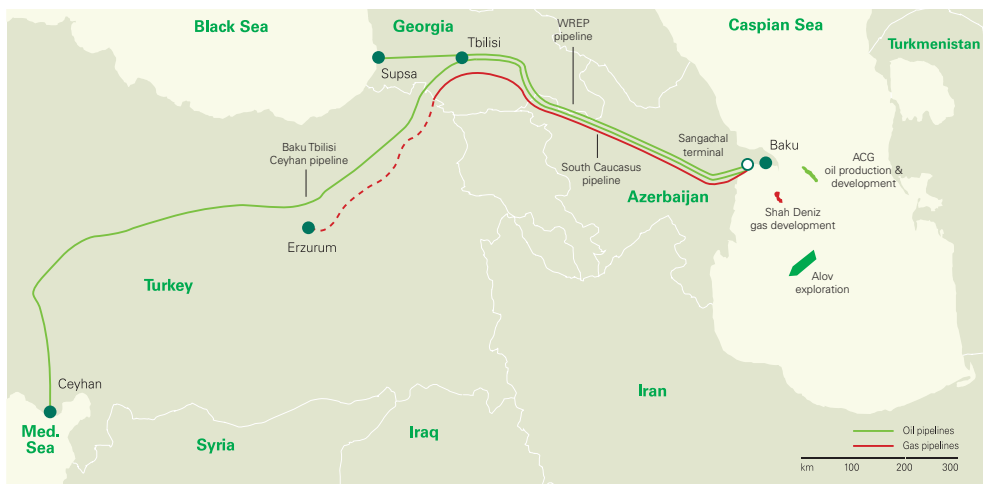
Shah Deniz / South Caucasus pipeline (SCP)



Alov



BP Azerbaijan SPU interests map^b



^a SOCAR is represented in the above-mentioned projects through its affiliates: ACG – AzACG; Shah Deniz – AzShahDeniz; SCP – AzSCP; Alov – SOCAR Oil Affiliate (SOA).

^b In Azerbaijan the BTC/SCP pipelines pass through 13 districts: Garadagh, Absheron, Hajigabul, Agsu, Kurdamir, Ujar, Agdash, Yevlakh, Goranboy, Samukh, Shemkir, Tovuz, Agstafa.

Achievements and challenges

The main achievements and challenges faced by BP in Azerbaijan in 2009 are summarized below. The focus is on topics related to the long term viability of our business in the country.



Confirming a valve number on a piping and instrument drawing for an isolation on DWG platform

Achievements

Operations

Average daily production from the Azeri-Chirag-Deepwater Gunashli (ACG) platforms in 2009 was 817,700 barrels of oil, an increase of about 19% on 2008.

Daily throughput on the Baku-Tbilisi-Ceyhan (BTC) oil pipeline averaged 781,000 barrels of oil, 16% up on 2008.

We delivered about 4 bscm of ACG associated gas to SOCAR, an increase of about 90% on 2008 deliveries.

A memorandum of understanding was signed with SOCAR to explore and develop jointly the Shafag and Asiman prospects in the Azerbaijan sector of the Caspian Sea.

We developed and implemented BP's global operating management system (OMS) within the BP Azerbaijan SPU (pages 17-18).

Technology

BP-developed automated systems to monitor the running time and maintenance intervals of production equipment were deployed at most offshore facilities in the BP Azerbaijan SPU, building upon successful deployment onshore in 2008. The systems automatically measure the time taken to close all safety critical valves on the production plant whenever they are activated.

We acquired additional 4D seismic data using ocean bottom cables offshore and, for the first time, worked with centres in Baku to enable local processing of the data.

Safety

The total vehicle accident rate of BP in Azerbaijan was reduced by 55% on 2008 levels as a result of targeted driving safety initiatives over several years.

Our recordable injury frequency declined by 38%.

Incidents in offshore operations nearly halved compared to 2008. Significant progress was made by onshore operations in reducing injury and vehicle accident frequencies (page 20).

Waste management

Our long term produced water disposal project became available allowing onshore treatment and offshore transfer of ACG produced water for re-injection into the reservoir (page 24).

Our people

By the end of 2009, 84% of our professional and 100% of our non-professional staff were Azerbaijani citizens.

A number of employees were awarded medals and state decorations for their contribution to the development of Azerbaijan oil industry by the President of Azerbaijan.

Employee satisfaction and engagement improved significantly according to our annual staff survey (page 32).

Challenges

Safety

The year was overshadowed by the death of one of our contractors on Dada Gorgud (DDGG) drilling rig as a result of a lifting incident. Lessons learned from the incident have been shared across the BP group and with our local and international contractors (page 20).

Waste management

We experienced ongoing issues with sewage treatment, particularly on a number of our offshore platforms. Final effluent sometimes failed to meet discharge specifications, and there were incidences of untreated sewage being released to the Caspian due to treatment unit failure. Enhancement programmes will be continued throughout 2010 (pages 23-24).

Operations

We continued Central Azeri recovery activities throughout 2009 (following the gas-release emergency shut-down of this platform in September, 2008).

Our operations

What are BP's main activities in Azerbaijan?

We operate major hydrocarbon assets offshore Azerbaijan including the Azeri-Chirag-Gunashli oil field and the Shah Deniz gas field. Onshore we manage one of the world's largest integrated oil and gas processing terminals and its pipeline links to regional and world markets.



Our 2009 operational record included sustained production at the Azeri-Chirag-Deepwater Gunashli (ACG) oil field and the Shah Deniz (SD) gas field. We completed the commissioning of the Baku-Tbilisi-Ceyhan (BTC) expansion to 1.2 million barrels of oil per day (b/d). Another breakthrough was the signing of a memorandum of understanding with SOCAR to explore and develop jointly the Shafag and Asiman prospects in the Azerbaijan sector of the Caspian Sea.

Production

Azeri-Chirag-Deepwater Gunashli (ACG)

ACG is the largest oil field in the Azerbaijan sector of the Caspian basin. It is located about 100km east of Baku. Production began in 1997 at the Chirag section. The Central, West, East Azeri and Deepwater Gunashli sections were developed later in phases. ACG is operated by BP on behalf of the Azerbaijan International Operating Company (AIOC).

Milestones of 2009

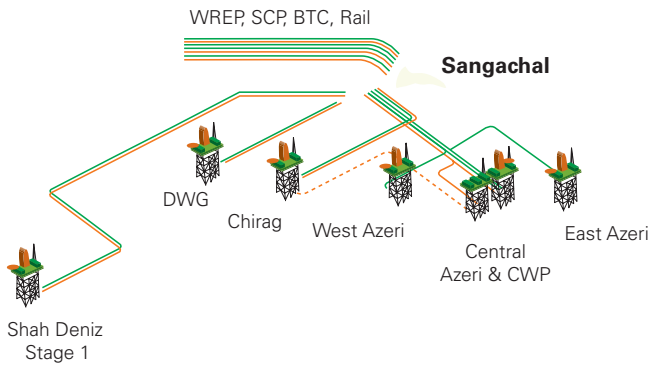
In 2009, we produced an average of 817.7 thousand barrels of oil per day from the Chirag, Central Azeri, West Azeri, East Azeri and Deepwater Gunashli platforms. This represented more than 298 million barrels or more than 40 million tonnes of oil - 18% up on 2008.

In addition, about 10.7 million cubic metres (377.5 million standard cubic feet) per day of ACG associated gas was delivered to SOCAR. Although we had planned to hand over a minimum of 1.45 billion cubic metres of associated gas to SOCAR in 2009, we exceeded this amount by delivering around 4 billion cubic metres, nearly twice as much as in 2008.

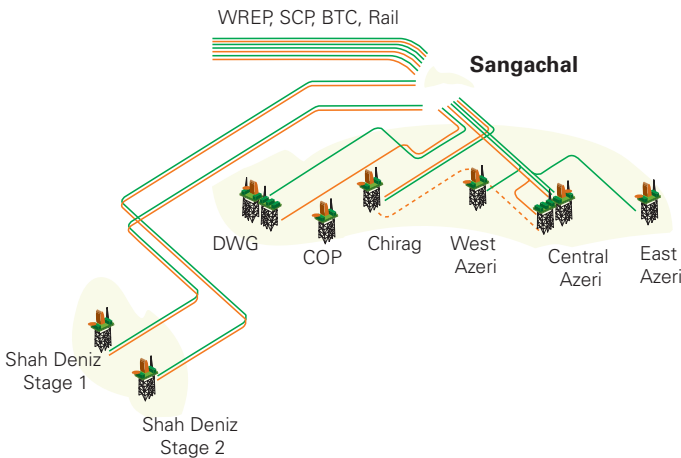
During 2009, about \$659 million was spent in operating expenditure and \$1,051 million capital expenditure on ACG.

In 2009, five of BP's top 15 gross producing wells worldwide were in the ACG field and three were in the SD field.

Present



Future



Outlook for 2010

The next step in developing the ACG field is the Chirag oil project (COP). This initiative will increase oil production and recovery by drilling more wells into the Fasila and Balakhany (above Fasila) reservoirs from a new offshore facility. The new platform will fill a gap in the field infrastructure between the existing DWG and Chirag platforms.

In 2010, we plan to produce an average of 854,000 b/d (more than 311 million barrels or more than 42 million tonnes per annum) for the full year from the five producing platforms at ACG. We also expect to deliver 1.9 billion cubic meters of ACG associated gas to SOCAR.

Operating expenditure on ACG activities in 2010 is expected to be about \$587 million while capital spending will be around \$1.58 billion.

Future potential

Potential recovery at the ACG field is estimated to be in excess of five billion barrels of oil. Achieving this will require the implementation of sophisticated reservoir management techniques, the use of advanced seismic data analysis and high efficiency drilling and completion technologies.

Shah Deniz (SD)

Shah Deniz gas field is located 70km offshore Azerbaijan. It was discovered in 1999 and is 22km long with a reservoir thickness of more than 1,000 metres. Geologically challenging, the field is highly pressured and has multiple reservoir 'horizons'. It lies beneath water depths ranging from 50 to 600 metres.

Milestones of 2009

In 2009, SD gas production totalled 6.2 billion cubic meters (13% down on 2008), equivalent to 218 billion cubic feet of gas, and 13 million barrels of condensate (around 1.7 million tonnes). Capital spending for 2009 totalled \$289 million and operating expenditure \$192 million.

The decline in production reflected the temporary shutdown of one of the producing wells at SD in September and a seasonal decline in demand for gas in the summer period. The issues at the well have since been rectified.

From the start of SD production in late 2006 to end 2009 around 35.1 million barrels (about 4.3 million tonnes) of SD condensate was exported to world markets.

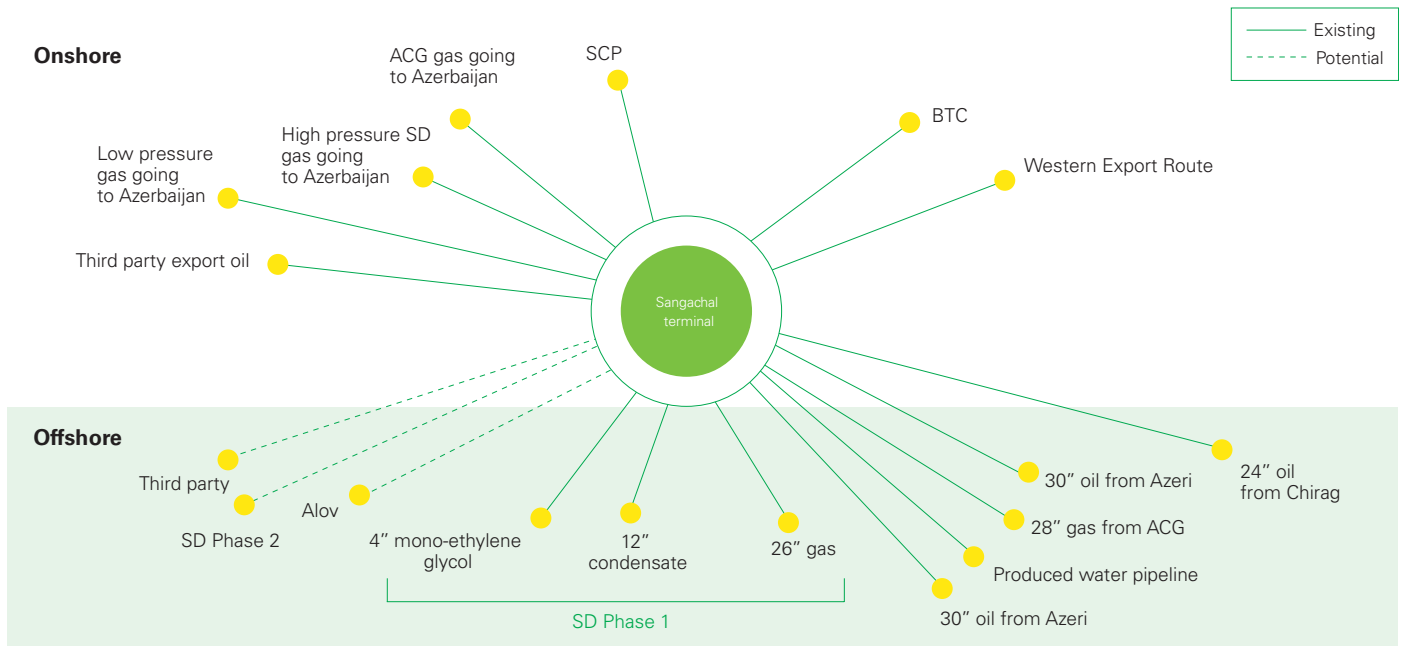
ACG production

	Start of production	Unit of measurement	Gas /condensate produced from start of production to end 2009	2008 actual production	2009 actual production	2010 forecast
Chirag	Nov 1997	mln. bbl	512.4	44.6	38.7	33.2
		mln. te	69.2	6.0	5.2	4.5
Central Azeri	Feb 2005	mln. bbl	357.5	71.7	69.6	67.2
		mln. te	48.3	9.7	9.4	9.1
West Azeri	Dec 2005	mln. bbl	272.2	76.6	98.0	104.3
		mln. te	36.8	10.4	13.2	14.1
East Azeri	Nov 2006	mln. bbl	140.4	41.4	49.6	57.7
		mln. te	19.0	5.6	6.7	7.8
DWG	Apr 2008	mln. bbl	60.2	17.7	42.5	49.3
		mln. te	8.1	2.4	5.7	6.7
Total		mln. bbl	1,342.7	252	298.4	311.7
		mln. te	181.4	34.1	40.2	42.2

SD production

	Start of production	Unit of measurement	Gas /condensate produced from start of production to end 2009	2008 actual production	2009 actual production	2010 forecast
SD gas	Production started Nov 24, 2006	bscm	16.6	7.1	6.2	7.63
		mmscf	580,414	251	218	269
		mboed	87.1	118.4	103.0	127.2
SD condensate	First gas delivery Dec 15, 2006	mln. bbl	35.1	14.95	13.1	15.84
		mln. te	4.3	1.78	1.7	2.01

A strategic hub for all BP operated assets in the Caspian (end 2009)



Outlook for 2010

In 2010, we expect to produce 7.6 billion cubic meters of gas (around 269 billion cubic feet) from SD and about 16 million barrels (2.01 million tonnes) of condensate as new wells are brought into use. Work will continue on the second stage of the Shah Deniz development. Operating expenditure at SD in 2010 will be about \$178 million while capital spending will be around \$605 million.

Future potential

We now anticipate that plateau production from SD stage one development will be about 8.6 bscma of gas and about 45 mbd of condensate. Stage two development will focus on the remaining resource potential in currently producing reservoir intervals.

Key Sangachal facts

- Area: 542 hectares.
- Location: 55 km south of Baku in Garadagh district.
- Processing capacity: in excess of 1.2 million barrels of oil per day (162,000 tonnes) and 0.04 bcm of gas per day.
- Storage capacity: 3 million barrels (405,000 tonnes).
- Operator: BP Azerbaijan SPU.

Storage and processing

Sangachal terminal (ST)

Sangachal terminal is a huge integrated facility where oil and gas produced offshore Azerbaijan by BP-operated fields is pumped into the terminal to be processed for onward transmission through linked pipelines and by rail.

Milestones of 2009

Oil and gas from ACG and Shah Deniz continued to flow into the terminal via subsea pipelines. The total capacity of the terminal's processing systems is now 1.2 million barrels of oil per day (162,000 tonnes) and 1.25 bcf per day (0.9 Shah Deniz and 0.35 DPCU) of gas.

In 2009, we completed and commissioned produced water facilities as part of the Sangachal terminal expansion programme (STEP). In March, we started to export produced water to the Central Azeri field. Re-injection into the ACG field started in early July.

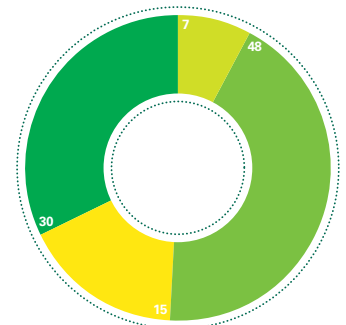
Sangachal terminal exported about 326.8 million barrels of oil (44.6 million tonnes) in 2009. The facility's highest daily export rate during the year was achieved on September 23rd when 1.1 mln barrels of oil (150,174 tonnes) were processed and exported.

Outlook for 2010

Our planned activities for 2010 include maintaining high plant efficiency, executing the ACG flare ignition system project, commissioning the SD waste heat recovery unit and continuing works on further reduction of flaring.

2009 BP group net share of liquids production^a (%)

- US
- UK+Rest of Europe
- Azerbaijan
- Other^b



^a 1,400,000 barrels per day includes crude oil, NGL and condensate.

^b Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.

At the end of 2009, BTC had

- Capacity equal to 1.2 mmbd
- Average throughput approximately 781 mbd (16.2% up on 2008)

Transportation

Baku-Tbilisi-Ceyhan (BTC) pipeline

The BTC pipeline connects Sangachal processing terminal on the shores of the Caspian Sea to Ceyhan marine terminal on the Turkish Mediterranean coast. It carries oil from the ACG field and condensate from Shah Deniz. The pipeline is 1,768km long and crosses Azerbaijan, Georgia and Turkey.

Milestones of 2009

In 2009, BTC capital expenditure totalled \$92 million. This was spent mostly on completing work to expand the pipeline's capacity to 1.2 million barrels per day by introducing drag reducing agents. The expansion project was completed in March, 2009. A second intelligent pigging programme was initiated, which is expected to be completed in 2010.

Another major BTC milestone was achieved on December 18th, 2009, when the 1,000th tanker was loaded at Ceyhan terminal with oil transported from Sangachal terminal.

The total volume of oil exported via BTC in 2009 was 285 million barrels (around 38 million tonnes) – 16% up on 2008. By February, 2010, more than 837 million barrels (about 112 million tonnes) of crude oil had been moved through the link to world markets since the BTC pipeline opened in June, 2006.

Outlook for 2010

Capital expenditure on the BTC line in 2010 is likely to total about \$69 million.

South Caucasus gas pipeline (SCP)

The SCP link has been operational since late 2006. It is a 690km gas pipeline connecting Sangachal terminal to the Georgia/Turkey border. BP is the technical operator, responsible for construction and operation of SCP facilities. Statoil is responsible for SCP administration and business development.

Milestones of 2009

Average SCP throughput in 2009 was about 15 million cubic meters of gas per day (around 519 million cubic feet), or more than 92,000 barrels of oil equivalent per day. This was some 24% less than in 2008 reflecting lower gas production at the SD field. Capital expenditure on SCP-related activities for the year totalled \$7 million.

Outlook for 2010

Capital spending on SCP in 2010 is expected to be around \$12.7 million.

At the end of 2009, SCP had

- Capacity equal to 22.0 mmcm/d
- Average throughput equivalent to 15 mmcm/d



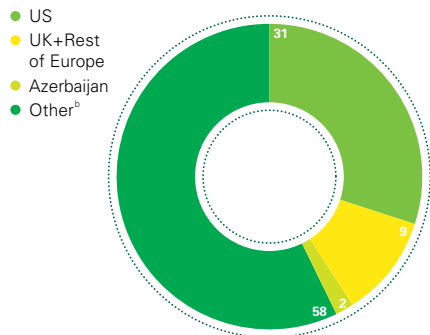
Power turbine inspection on East Azeri platform

BP's top 15 gross hydrocarbon producers, December 2009^a



^a Fields in Australia are partner-operated, all others are BP-operated.

2009 BP group net natural gas production^a (%)



^a 7,450 million cubic feet per day (excluding equity accounted entities).

^b Other includes Canada, South America, Africa, Asia (excluding Azerbaijan) and Australia.

Western route export pipeline (WREP)

This pipeline has been extensively refurbished by BP and its co-venturers since 1997. A 21-month project to upgrade sections of the line was completed in 2008. WREP transports oil from the Caspian to Supsa on Georgia's Black Sea coast.

Milestones of 2009

In 2009, 31.4 million barrels were exported to Supsa terminal via WREP. The WREP team in Azerbaijan and Georgia marked 10 years of operations without a DAFWC. Various activities were commissioned including a river crossings' survey and remediation work, an intelligent pigging programme, a leak detection system and a diving intervention programme at Supsa.

Outlook for 2010

Several river crossing surveys, additional intelligent pigging and the subsea hose replacement project are expected to be conducted at Supsa. Also, landslide monitoring is intended to take place throughout the year.

BP Azerbaijan SPU interests

PSA / HGA	Operating company	Corresponding BP legal entity
ACG	Azerbaijan International Operating Company (AIOC)	BP Exploration (Caspian Sea) Limited / Amoco Caspian Sea Petroleum Limited
BTC	The Baku-Tbilisi-Ceyhan Pipeline Company	BP Pipelines (BTC) Limited
SD	BP Exploration Shah Deniz Limited	BP Exploration (Azerbaijan) Limited
SCP	South Caucasus Pipeline Company Limited	BP Pipelines (SCP) Limited
Alov	BP Exploration (Alov) Limited	BP Exploration (Azerbaijan) Limited



Inshore pipeline inspectors

Thanks to a multi-disciplinary effort across the BP Azerbaijan SPU, a beach-launched low logistics autonomous underwater vehicle (LL AUV) was used in 2009 for the first time in the history of hydrocarbon development in the Caspian to undertake a complex inshore pipeline inspection programme.

LL AUVs work like hi-tech unmanned submarines and can deliver quality inspection results faster and more safely than other alternatives. Essentially a robot, the battery-powered vehicle performs specific underwater tasks based on programmes uploaded to it from the surface or shore. It navigates using a combination of an automatic pipeline tracking system, sonar and sophisticated sensors. Communication with the deployment platform is achieved through underwater acoustics and wireless networks on the surface, which also download the resulting data.

"An LL AUV 'flies' autonomously at speed exceeding 100 metres per minute, intelligently avoiding obstacles in its way," explains Walter Jardine, survey and seismic operations team leader in the SPU. "The multibeam echo sounder and sidescan sonar systems gather the required data." The resulting imagery is assessed to confirm the integrity of the pipeline being inspected. Any potential problems, such as unsupported pipeline segments or dangerous debris, can then be spotted and rectified. The vehicle is packed with system minimisation and power management technology able to fit into a three metre, 100kg 'submarine'.

Exploration

On July 13th, 2009, BP and SOCAR signed a memorandum of understanding (MoU) to explore and develop jointly the Shafag and Asiman prospects in the Azerbaijan sector of the Caspian Sea. Shafag and Asiman are located in a deepwater section of 650-800 metres with a reservoir depth of about 7,000 metres. They cover an area of some 1,100 square kilometres and have never been explored.

Technical evaluation of the Alov, Araz, Sharg contract areas continued during the year. The Alov partnership has no plans for on-site work in the Alov contract area until Caspian littoral states reach an agreement on offshore demarcation of the sea.

Other business

Integrated Supply and Trading (IST)

BP's London-based Integrated Supply and Trading (IST) group – one of the world's largest energy trading teams – markets the BP Azerbaijan SPU's equity crude oil.

BP lubricants in Azerbaijan

BP and Castrol brands are supplied to all BP projects in Azerbaijan by the Petrochem group. In 2009, about 1.55 million litres of lubricants were delivered to BP and its contractors in Azerbaijan. BP/Castrol lubricants were also supplied to most oilfield services contractors working in Azerbaijan.

Safe and responsible energy

How do we manage our operations?

Safety, both personal and process, and protection of the environment remain our highest priorities. 2009 brought improvements in many areas. In terms of the environment we recorded substantial reductions in flaring, offshore re-injection of ACG produced water began, and new sewage treatment units were completed along the BTC route.



The year was overshadowed by a fatality on the Dada Gorgud drilling rig where a contractor died in a lifting incident. This tragic event occurred despite general improvements in operational safety performance. One of our key achievements was the development and implementation of BP's global operating management system (OMS) within the BP Azerbaijan SPU.

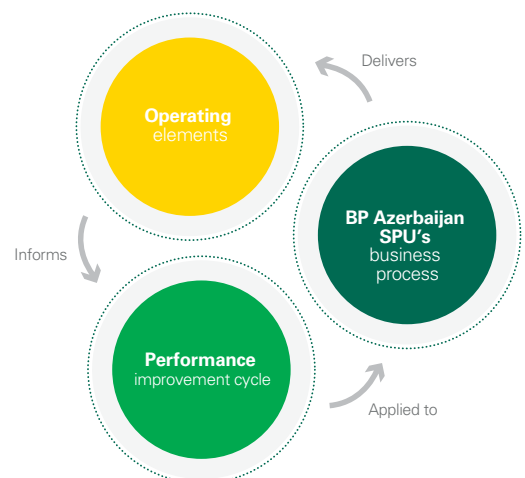
Management systems

Operating management system
OMS provides us with a systematic framework for safe, reliable and efficient operations by helping BP people across the BP group to identify and eliminate defects and to deliver tangible improvements on a daily basis.

Three components make up BP Azerbaijan SPU's OMS:

- Operating elements. These describe how people, process and plant should operate on a consistent basis across the BP group.
- Performance improvement cycle. This consists of a rigorous, systematic plan-do-check-act annual cycle that embeds learning and drives continuous risk reduction and performance improvement.
- BP Azerbaijan SPU's business process. These are our procedures and activities which turn the requirements of OMS into reality at a local level.

BP Azerbaijan SPU operating management system



During 2009, the BP Azerbaijan SPU conducted a comprehensive gap assessment against the requirements of OMS. We then prioritized actions to focus on those factors that are most important to our business. In addition, we launched the BP Azerbaijan SPU local OMS handbook and the online OMS navigator tool, which provides a portal to key processes, information and documentation.

ISO 14001 certification

One of the requirements of the OMS is to "maintain external ISO 14001 certification at major operating sites." In May, successful ISO 14001 audits were conducted by Moody International Certification Group of DWG platform, Sangachal and SPS central waste accumulation areas, and BP's management of Istiglal and Dada Gorgud drilling rigs. Inclusion of these sites/activities resulted in full ISO 14001 certification of BP Azerbaijan SPU operations and related support facilities across Azerbaijan and Georgia.

In October, the BP Azerbaijan SPU's three-year external re-certification audit was completed, with no non-conformances, extending the validity of the certification to 2012.

Six point plan delivery

BP's six point plan defines the company's commitment to achieve industry leadership in process safety management. Introduced across the BP group in 2007, the plan sets out the key priorities for safety process investment and action throughout the BP group.

In 2009, progress was recorded in the BP Azerbaijan SPU in the following areas:

ISO 14001 certification table

Assets	Certified
Sangachal terminal - Early oil project (EOP)	2000
Chirag platform	2000
WREP Az	2000
WREP Ge	2000
Supsa terminal	2000
Sangachal terminal - ACG Phase 1	2005
CA/CWP	2005
WA platform	2006
Sangachal terminal - ACG Phase 2	2007
Sangachal terminal - Shah Deniz	2007
EA platform	2007
Shah Deniz platform	2007
Logistics	2007
Serenja HWMF	2008
Sangachal terminal - ACG Phase 3	2008
Sangachal terminal - BTC/SCP	2008
BTC Az	2008
SCP Az	2008
BTC Ge	2008
SCP Ge	2008
DWG	2009
CWAA SPS	2009
CWAA Sangachal	2009
BP management of drilling rig ops	2009 ^b

^b Certification audit of Dada Gorgud and Istiglal drilling operations rescheduled for 2009 due to BP Azerbaijan SPU organisational restructuring.

Positive audit

In January, 2009, our Exports performance unit (PU) was visited by the BP group safety and operations (S&O) audit team^a. A number of actions were recommended to sustain continuous improvement by the PU. Overall, feedback from the audit team was positive and complimentary.

Point 1 – deliver on post-Texas City recommendations

The majority of BP Azerbaijan SPU's facilities are now in conformance with BP-issued directives on the 'design and location of occupied portable buildings for onshore locations' and the 'protection of personnel from explosion, fire and toxic hazards at offshore facilities.' The only exception is the Chirag platform where a gap analysis and an improvement plan will be prepared in 2010.

^a The S&O audit covered the operation of export pipelines in Azerbaijan and Georgia (BTC, SCP and WREP) and Supsa terminal.

Point 2 – carry out major accident risk (MAR) assessments

One of BP Azerbaijan SPU's key MAR risk mitigation measures is the reduction of manning levels on offshore platforms. Optimisation, nationalisation and the development of a multi-skilled workforce are the main ways we will achieve the reductions required. On the Shah Deniz platform a documented person-on-board (POB) reduction plan is already in place and demonstrable progress was made in 2009 in terms of its implementation. On the ACG platforms POB reduction plans were formulated in 2009 and are now being integrated.

Point 3 – roll out integrity management (IM) and control of work (CoW) standards

BP Azerbaijan SPU's processes and systems are now in full conformance with the IM and CoW standards. In 2009, the integrated safe system of work (ISSOW), which was implemented at all BP-operated offshore platforms in 2008, was introduced at Sangachal terminal following a training programme covering 550 people. ISSOW enables work crews to use a database of permits and is designed to ensure that hazardous work is risk-assessed using a consistent process.

Point 4 – enhance compliance processes

Use of the compliance task manager (CTM) software tool (which links compliance tasks to operational controls and responsible people) became an established process within BP Azerbaijan SPU during 2009. Efforts to enhance the process and engage personnel are ongoing.

Point 5 – close out past audit findings

All high and medium priority actions were reviewed monthly by the BP Azerbaijan SPU leadership team in 2009. Close-out of safety & operations (S&O) audit actions was a key focus. S&O verification auditors returned to Baku in June, 2009, to check on progress since their 2007 visit to Sangachal terminal.

Point 6 – build competency in safety and operations

Technicians continued to be assessed under the competency management assurance system (CMAS). This structured process is used to determine current capabilities and to deliver required job skills. It also ensures that all technicians are competent to perform their role in delivering safe and efficient operations. As in 2008, site operational leaders were assessed for integrity management competency.

All of BP Azerbaijan SPU's six point plan actions that remained to be implemented at the end of 2009 have since been mapped against the requirements of OMS and a transition plan developed.



Improving driving safety at Sangachal terminal

In 2008, self-drivers (employees driving themselves to work) and contractors working at Sangachal terminal (ST) were responsible for a disproportionate share of driving incidents reported by the BP Azerbaijan SPU. As a consequence, drivers at the terminal found themselves the focus of the 2009 driving safety improvement programme.

According to Teymuraz Babayev, BP Azerbaijan SPU's driving compliance technical authority, "reinforcing driving safety (at the terminal) was a significant challenge, requiring us to build on the initiatives already introduced in 2008, and refining and targeting our efforts based on accident statistics."

Several important changes to vehicle use at the terminal were implemented with the aim of promoting a more responsible and safer approach. "Operators and mechanics have specific vehicles assigned to their teams," explains Eldar Huseynov, land transportation operations team leader at the terminal. "In addition, we now have eight vehicles which can be used on car rental principles." Also, a shuttle bus runs within the oil plant area and one light vehicle is assigned to the gas plant. Another initiative involves the use of bicycles within the terminal site.

According to Elshan Teymurov, ST production support engineer, "the new initiatives do not affect our work" and have been helpful in decreasing vehicle accidents at ST. Concludes Eldar Huseynov: "We've tried to rationalize and reduce vehicle use within the terminal. The less traffic there is, the lower the car accident rate."

Integrity management

External inspections of BP in Azerbaijan's subsea pipelines were carried out in 2009 using acoustic surveys (side scan sonar and echo sounder) and remotely operated vehicles. The survey didn't reveal any shortcomings with regard to the integrity of the pipelines. An internal inspection of the ACG Phase 2 subsea pipelines, carried out during 2008 and 2009, recorded no significant anomalies.

Contractor management

We carried out HSE audits and worksite visits of a number of our contractors in 2009. The activities appraised included engineering, production and drilling, transportation and logistics, testing and inspection, and protective equipment services. We also audited contractor vehicles and driving safety, as well as medical preparedness and food safety on our platforms and vessels.

As part of our drive to localize our contractors, technical assurance including HSE performance assessments was conducted of potential in-country suppliers in the fibre optics sector. Improvement plans have been developed to assist them in competing with other local and international companies.

Contractor awareness meetings were conducted in February and March following the introduction of new contractor HSE targets and reporting formats. In addition, an offshore HSE forum was held in April, where leadership and contractor representatives discussed safety deliverables and expectations, and a Sangachal HSE forum was held in October, where HSE performance review was followed by contractor initiative sessions.

In July, a contractor safety stand-down was carried out across the business to discuss safety issues associated with lifting operations.

Safety data of BP in Azerbaijan, 2008-2009^a

Assets	2008	2009
Fatalities	0	1
HiPO frequency ^b	0.01	0.02
DAFWC frequency ^c	0.03	0
RI frequency ^d	0.40	0.23
TVAR ^e	2.03	0.92
Safety observations & conversations (SOC) metrics	1,296 ^f	Approx 140% ^g
Behavioural observation safety system (BOSS) metrics	9,151 ^h	Approx 150% ⁱ
Safety training frequency ^j	7,301	Not applicable; core HSE training completion rate recorded in 2009, (see below)
Core HSE training completion rate ^k	Not applicable; safety training frequency recorded in 2008, (see above)	88%
Kilometres driven (millions)	25.64	21.84
Hours worked (millions)	22.22	17.94

^a BP's injury and illness definitions are the U.S. Occupational Health and Safety Administration (OSHA) definitions and their subsequent interpretation. Data does not include project-only data.

^b The high potential incident (HiPO) frequencies are based on the number of high potential incidents per 200,000 labour hours.

^c A day away from work case (DAFWC) is a work-related injury that causes the injured person to be away from work for at least one normal shift after the shift on which the injury occurred. DAFWC frequency is the number of reported injuries or illnesses that result in an employee or contractor being unable to work a day (or shift) per 200,000 labour hours worked.

^d Recordable injury (RI) is the number of all reported work-related injuries above first aid. The RI frequency is expressed as the number of reported recordable injuries per 200,000 hours worked.

^e Total vehicle accident rate (TVAR) is the number of reported road accidents per million vehicle kilometers travelled.

^f SOC frequency based on the number of reported SOC's per 200,000 labour hours.

^g In 2009, SOC reporting changed to percentage conformance with monthly targets set for office and field based staff.

^h BOSS frequency based on the number of reported BOSS observations per 200,000 labour hours.

ⁱ In 2009, BOSS reporting changed to percentage conformance with monthly targets set for office and field based staff.

^j Safety training frequency is the number of safety training hours taken by employees per 200,000 labour hours.

^k Percentage attendance at core HSE training courses, against pre-defined training requirements.

Safety

Safety performance

During the year, we achieved a significant reduction in the days away from work case (DAFWC) frequency, the recordable injury (RI) frequency and the total vehicle accident rate (TVAR).

These achievements were overshadowed by a fatality on the Dada Gorgud drilling rig where a contractor died in a 'man overboard' lifting incident. We were all deeply saddened by this tragedy and express our heartfelt sympathy to family, friends, and co-workers of the deceased employee.

A thorough investigation was conducted in order to understand the causes of the incident. Subsequently we introduced changes to our lifting procedures to address key actions. Special emphasis was also put on ensuring fit-for-purpose hazard identification is carried out for every work task and on improving contractor safety performance management. The lessons learned from the incident have since been shared across the BP group and with our local and international contractors.

2009 safety highlights

- Recordable injury frequency reduced by 38% compared to 2008
- Total vehicle accident rate reduced by 55% compared to 2008
- Zero days away from work case frequency
- Zero severe vehicle accident frequency
- Total incidents for offshore operations nearly halved compared to 2008

BP Azerbaijan SPU HSE training courses in Azerbaijan and Georgia, 2008-2009^a

Year	Man hours	\$
2008	72,275 (50,749 HSE 21,526 Ops)	4,217,416
2009	70,870 (50,949 HSE 19,921 Ops/Tech)	3,309,978

^a Relevant information cannot be presented for Azerbaijan only as the system data was collected from BP Azerbaijan SPU as one site.



Abseiler at West Azeri platform

Learning from experience

In 2009, we concentrated on improving our 'lessons learned' process – moving from a context of information sharing to one of information sharing and learning. As part of this development we set up subject matter working groups on two key risk areas for the BP Azerbaijan SPU - lifting/dropped objects, and loss of primary containment.

Working group members were assigned individual responsibilities. These included assessing incident reports to ensure completeness and ensuring that the actions recommended target root causes; reviewing lessons learned reports to determine applicability and recommending improvements to plant/ process; monitoring trends in order to raise concerns with management; and working closely with BP global and industrial networks to stay abreast of best practice.

Safety culture

A positive safety culture involves having the correct individual and collective values, commitment from leaders and a mechanism to ensure continuous improvement in place. During 2009, we believe that we strengthened and reinforced BP Azerbaijan SPU's safety culture.

Safety culture surveys were conducted in 2008-2009 of BP Azerbaijan SPU's Exports PU and two contractor companies - 'BUE Marine/Topaz' and 'Azertunel'. Improvement plans were issued based on the results. Examples of specific remedial actions being implemented include focus on timely delivery, replacement and allocation of safety equipment and improved interaction between office-based managers and site workforce.

Driving safety

In 2008, one of the key areas of concern for BP Azerbaijan SPU was driving safety. As a result we launched a number of initiatives in 2009 as part of a driving safety improvement programme. They included the production of a driving safety engagement video, competitions to test knowledge of the BP driving safety standard, the provision of advice to drivers on changes to the road infrastructure in Baku and the monitoring of driver behaviour through the use of speed guns, vehicle data recorders and mobile phone use monitoring. Improvements were also made to road signage at our sites. This greater emphasis on driving safety was reflected in the total vehicle accident rate in Azerbaijan in 2009 which declined 55% from 2.03 per million vehicle kilometers travelled in 2008 to 0.92 in 2009. In 2010, we expect to align driving safety performance with the requirements of the BP group OMS.

Safety training and awareness

In 2009, 70,870 hours of HSE and operations training were undertaken by BP and contractor staff in Azerbaijan and Georgia, slightly less than in 2008.

Radioactive source management

A review of BP in Azerbaijan's procedures for the management of radioactive materials was carried out in 2009 along with the development of documents covering naturally occurring radioactive materials (NORM) and radiation contingency plans.

Meetings were also held with the Ministry of Ecology and Natural Resources (MENR) and the State Oil Company of Azerbaijan Republic (SOCAR) regarding incidents of 'downhole stuck radioactive sources'. As a result of this dialogue we have introduced a five year plan to decrease the incidence of these occurrences by reducing the number of nuclear well logging runs carried out on BP in Azerbaijan's platforms and rigs^b.

In parallel, a notification and cooperation process was developed between BP and relevant government agencies in the event of a downhole stuck radioactive source.

^b Well logging is the practice of making a detailed record (a well log) of the geologic formations penetrated by a borehole. In the case of nuclear well logging, a neutron source is used to determine the porosity of the formation.

Environment

During 2009, we reduced flaring totals significantly and made real progress in the disposal of long term produced water (LTPW). A substantial decline was recorded in hazardous waste produced by our operations.

Greenhouse gases (GHG)

Total net GHG emissions generated by the BP Azerbaijan SPU decreased by 6% in 2009 to 712 kilo-tonnes (kte). A proportion of this reduction was a result of changes to our entitlement factor^b. The main source of reduction within our operations was the restoration of gas injection capability at Central Azeri following the emergency shut-down of this platform in September, 2008. The re-start of this critical process also allowed the resumption of gas export from Chirag, East Azeri and West Azeri platforms and significantly reduced the amount of gas required to be flared on these platforms.

These savings were offset by higher GHG emissions from Sangachal terminal and DWG platform. At the terminal, the increase in production from the ACG contract area and additional Tengiz Chevron oil now passing through the facility involved more pumping and fuel gas usage. In the case of DWG, the rise was due to the additional four months of operations recorded in 2009 compared to 2008 (DWG began operations in April 2008) and process and maintenance issues.

^b Entitlement factor represents the fraction of BP's net entitlement volume as a fraction of the gross volume. It is calculated as a percentage of the BP portion of CAPEX and OPEX costs plus Profit Oil Share divided by Total Turnover for the specific Quarter.

GHG awareness workshop

In May, 2009, the BP in Azerbaijan environment team organized a GHG awareness workshop. The objective was to increase awareness of GHG-related climate issues, global industry GHG initiatives, BP group tools and systems related to climate change, and specific plans and actions involving BP in Azerbaijan. Among the workshop attendees and speakers were representatives from MENR and SOCAR. We believe that the participation of these external bodies strengthened community relationships, aided effective information exchange and enhanced co-operation and mutual capacity building.

BP Azerbaijan SPU GHG emissions in Azerbaijan (net), 2008-2009

	Actual 2008	Actual 2009
Operational net GHG emissions kte/pa	755.3	712.2
Normalised operational GHG emissions tonnes per thousand barrels of oil equivalent (te/mboe) ^a	15.9	15.9

^a Emissions released for every thousand barrels of oil and gas produced.

BP Azerbaijan SPU GHG emissions per asset in Azerbaijan (kte) (net), 2008-2009

	Actual 2008	Actual 2009
Central Azeri	160.1	105.6
East Azeri	80.9	57.5
West Azeri	69.4	46.2
DWG	80.6	105.1
Chirag	64.2	36.6
Shah Deniz	3.2	2.3
Istiglal rig	3.2	3.8
Dada Gorgud rig	4.7	2.4
ACG Sangachal terminal	194.5	249.5
SD Sangachal terminal	48.7	44.3
BTC Azerbaijan	21.9	26.1
SCP Azerbaijan	0.03	0.1
WREP Azerbaijan	1.5	4.2
Logistics	21.5	27.2
Waste management sites	0.9	1.3

BP Azerbaijan SPU direct CO2 emissions in Azerbaijan, 2008-2009

	Actual 2008	Actual 2009
Direct carbon dioxide (100%) (kte) (gross)	3,677.7	3,827.1
Direct carbon dioxide (kte) (net)	687.6	668.5 ^c

^c The decrease in net CO2 production (despite an increase in gross production) is due to a reduction in the average ACG entitlement factor in 2009.

BP Azerbaijan SPU non-GHG emissions - SOx and NOx in Azerbaijan (gross), 2008-2009

	Actual 2008	Actual 2009
Oxides of Sulphur (SOx) (te)	3,034	2,842
Oxides of Nitrogen (NOx) (te)	7,243	8,412 ^d

^d NOx increase in 2009 due to increased fuel gas use on DWG due to additional four months of operation in 2009, increased fuel gas use on CA due to full resumption of operations in February, 2009, and increased diesel use due to offshore passenger transfer by vessels rather than helicopters.

BP Azerbaijan SPU flaring in Azerbaijan (kte) (gross* by asset), 2008-2009

	Actual 2008	Actual 2009
Central Azeri	155.5	56.7
East Azeri	140.0	121.7
West Azeri	199.8	87.9
DWG	157.2	167.7
Chirag	109.3	69.3
Shah Deniz	0	0
Istiglal rig	0 ^f	3.1 ^g
Dada Gorgud rig	0.1	0
ACG Sangachal terminal	58.4	43.3
SD Sangachal terminal	21.4	25.1
Total	841.9	574.9

^e In previous Sustainability reports (2006 to 2008) flaring figures were erroneously reported as net when they were gross.

^f No well test on INX-2 / INX-2A wells in 2008, therefore no flaring.

^g Two well tests carried out on SDX-5 well in 2009.

Flaring

In 2009, 575 kte of hydrocarbons were flared by BP in Azerbaijan - a 32% decrease compared to 2008. The decline reflected the resumption of gas injection on CA platform in February, 2009. This enabled us to maximize gas injection and minimize flaring across Azeri and Chirag platforms.

A number of related engineering projects were also carried out at ACG Sangachal terminal during 2009. They

included modifications to ensure the smooth running of the stabilizer compressor, which compresses gas and feeds it back into the process rather than losing it to flare. In addition, we introduced a flare vapour recovery compressor, which recovers vapour and feeds it back into the process, and initiated several upgrades to reduce the number of equipment trips. As a result, the terminal recorded a 26% flare reduction compared with 2008.

BP Azerbaijan SPU energy consumption in Azerbaijan, 2008-2009

	Actual 2008	Actual 2009
Fuel gas (kte)	534.5	888.4
Diesel (kte)	51.7	45.4
Electricity import (mega watt per hour (MWh))	9.1	2.1

BP Azerbaijan SPU waste quantities in Azerbaijan (tonnes), 2008-2009

	Actual 2008	Actual 2009
Hazardous waste ^a	79,968	51,055 ^b
Non-hazardous waste	10,367	7,479
Sewage	62,896	64,775
Produced water received by Sangachal terminal from offshore	381,222	666,986

^a Includes drill cuttings and PW filtration wastes.

^b Large reduction in hazardous waste in 2009 due to reduced offshore drilling activity and lack of project activities, which tend to generate higher levels of waste than steady state operations.

Energy consumption

Consumption of fuel gas rose by 354 kte (66%) in 2009 on 2008. Conversely, diesel consumption fell by 6 kte (12%) and electricity import decreased by 7 kte (77%). These consumption fluctuations were due to several factors:

- Increased on-site power demand at Sangachal terminal, resulting in more fuel gas usage. All five ACG fuel gas turbines were operational which removed the requirement for electricity import to the site and decreased diesel usage.
- Reduction in diesel usage on DWG as the platform moved from start-up and commissioning (in 2008) to operational mode (in 2009).
- Higher fuel gas usage on CA platform due to the resumption of operations in February, 2009. The commissioning of two additional turbines on this platform also increased fuel gas consumption.
- Lower diesel consumption by the Istiglal rig (only on contract to BP Azerbaijan SPU for six months of the year).
- A reduction in diesel usage by the SD platform due to a decrease in drilling activities.

Despite the overall reduction in diesel usage, logistics diesel consumption increased noticeably due to the new requirement for offshore passenger transfer by vessels in 2009 rather than by helicopters as in the past.

Hydrocarbon spills^a

A very small increase in hydrocarbon spills was recorded at our facilities in Azerbaijan in 2009 – 45 against 44 in 2008. Of the 45 spills, five were greater than one barrel compared to seven in 2008. The total volume of hydrocarbons released in 2009 was 24% down on 2008. Thorough clean-ups were carried out where appropriate and actions taken to prevent recurrence. Of 4,741 litres of hydrocarbons spilled in 2009, about 77% (3,628 litres) were recovered. All spills to the environment were reported to MENR and SOCAR. BTC also reports externally to the BTC lender group.

Waste management

The focus of our waste management strategy in 2009 was on a 'cradle to grave' approach, and management of waste streams in accordance with best practice industry standards. Reflecting this approach, a facility waste minimization programme was initiated. This included a comprehensive examination of all our on-site operations to maximise opportunities for waste elimination, reduction, re-use and recovery.

A number of new contracts were awarded. A local company, 'AzLogistics,' was chosen to provide waste transportation services. We also developed a detailed supply chain strategy in order to select technically suitable contractors for disposal of hazardous wastes in storage at Serenja hazardous waste management facility (HWMF).

In total, 58,534 tonnes of waste were produced from our operations in Azerbaijan in 2009 – 51,055 tonnes of hazardous waste, and 7,479 tonnes of non-hazardous waste. This represents a 35% reduction in waste on 2008. In addition, 64,775 tonnes of raw and treated sewage waste were generated (3% up on 2008)^b and significant quantities of produced water were received at Sangachal terminal.

Some 58% of the non-hazardous waste, and 3% of the hazardous waste, were recycled or reused by local companies. The remainder was either treated and disposed of using approved methods and routes, stored temporarily at Serenja hazardous waste management facility (HWMF) or landfilled (non-hazardous only) in the new BP dedicated non-hazardous waste landfill cell at Sumgayit.

The Sumgayit landfill cell has been designed and constructed to European Union standards and operated by a local contractor 'Tehlukeli Tullantilar MMC' (TTMMC) since end 2008. An independent audit of the facility was carried out in September, 2009, by an international consultancy (RSK Environment Ltd). No major non-compliances were found.

The Azerbaijan Deutschland Ecological Services non-hazardous landfill, previously used by BP in Azerbaijan, no longer has spare capacity. It was capped and decommissioned in 2009. A completion report will be submitted to the MENR in 2010 by the operating contractor.



Serenja HWMF



Cleaning of cuttings boxes at Serenja HWMF

^a For the purposes of this report, hydrocarbon spills are defined as those consisting solely of crude oil, lube oil, hydraulic oil, diesel or condensate.

^b This percentage is based on the hazardous waste total and excludes PW and sewage.

Drill cuttings

Offshore discharge and re-injection of drill cuttings

A total of 8,950 tonnes of drill cuttings and associated fluids (adhered drill mud) was discharged into the Caspian in 2009 - a 5% decrease compared to 2008. The decline reflected the lack of drilling activity on CA platform (only well recovery operations were carried out in 2009 following the 2008 emergency shutdown) and the fact that the Istiglal rig was only on contract to the BP Azerbaijan SPU for half the year. These factors were offset by increased drilling activity on the WA platform and the Dada Gorgud (DDGG) rig.

The BP Azerbaijan SPU uses water-based mud (WBM) and synthetic-based mud (SBM) for its drilling operations. Ninety percent of our drill cuttings discharged in 2009 contained low toxicity WBM – the most commonly used drilling mud worldwide. The remainder contained SBMs from the Chirag platform. These discharges complied with the ACG production sharing agreement and the Early Oil project environmental impact assessment requirements.

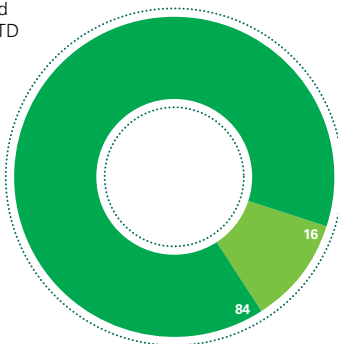
Waste re-injection on the Azeri and DWG platforms totalled 96,715 tonnes in 2009, compared to 84,025 tonnes in 2008 – a 15% increase. The waste included drill cuttings and muds, brine, and oily drains and pit cleaning materials.

Onshore management of drill cuttings

A total of 17,111 tonnes of untreated drill cuttings was received at Serenja HWMF in 2009 from offshore drilling operations (30% less than in 2008), as well as 6,494 tonnes of drilling mud and tank cleaning waste. The reduction in drill cuttings coming to shore was due to increased offshore re-injection of cuttings and to a general reduction in drilling activities in 2009.

Cuttings treatment in 2009 – Serenja HWMF^a (%)

- Processed through ITD
- Storage of raw untreated cuttings



^a At end of 2008, 6,203 tonnes of cuttings were in storage at Serenja HWMF. In 2009, 23,605 tonnes of cuttings and drilling muds were received. During the year, 21,028 tonnes of total cuttings and drilling muds were treated by ITD. Out of the remaining 8,780 tonnes, 3,956 tonnes went to storage, 2,702 tonnes were recovered base oil and 2,124 tonnes were oily water sent for disposal.

^b Electrochemical cells oxidize the sewage. Macerators grind the sewage into small particles.

^c BOD is a measure of the oxygen used by microorganisms to decompose the waste. High levels of organic waste in an effluent lead to high BOD.

^d Faecal coliforms are types of bacteria that mostly exist in faeces.

^e Total coliforms are a large collection of different types of bacteria.

BP Azerbaijan SPU drill cuttings discharged to water in Azerbaijan, 2009

Asset / Facility	Drill cuttings with WBM discharged to water, te	Drill cuttings with SBM discharged to water, te	Total drill cuttings discharged to water, te
Chirag	0	890	890
Central Azeri	0	0	0
East Azeri	336	0	336
West Azeri	3,556	0	3,556
Deepwater Gunashli	0	0	0
Shah Deniz	0	0	0
DDGG drilling rig	1,821	0	1,821
Istiglal drilling rig	2,347	0	2,347
TOTAL	8,060	890	8,950

Approximately 21,028 tonnes of synthetic-based mud drill cuttings were processed using indirect thermal desorption (ITD) units. Some 2,707 tonnes of base oil were recovered and returned to the drilling fluids supplier for re-use. The treated drill cuttings (classed as non-hazardous) were stockpiled on the site pending re-use/disposal.

In 2009, some 1,300 tonnes of the treated drill cuttings were used as operational landfill cover at the TTMMC non-hazardous landfill to minimise the potential for wind blown litter, birds and vermin. Significant headway was also made in the investigation of additional re-use options through the work of the BP-MENR waste management working group, supported by SOCAR. A plan was agreed with group members which includes further non-hazardous landfill cover, infill for quarry restoration and the possible use of cuttings for road construction and cement manufacture - pending technical studies on end product quality. These options will be pursued through 2010.

Sewage

In August, BP in Azerbaijan held a 'Sewage Summit' attended by management and HSE professionals. Discussions centered on onshore and offshore sewage management measures, compliance requirements and risks, alternative options and implementation of future strategies.

During the course of the year, we experienced ongoing issues with the Azeri and DWG platform sewage treatment units (STUs). As a result, final effluent sometimes failed to meet discharge specifications, and there were also incidences of untreated sewage being released into the Caspian Sea due to failure of electrochemical cells and macerators^b (18 platform releases in 2009, compared to 18 in 2008).

A pilot trial modification to the East Azeri STU proved to be unsuccessful. However, additional enhancements to the maintenance and operation regimes on the platforms subsequently minimised the

number of outages. No sewage release incidents were recorded after September, 2009. With respect to effluent quality, the services of an international consultant were used to improve operation of the systems and provide training. In 2010, further enhancements are expected to be made to the sewage sampling and reporting processes.

The Chirag STU optimization project, carried out in 2008, was considered successful. Compliant BOD (biological oxygen demand)^c discharges were recorded throughout 2009. Options are under investigation to reduce the high total suspended solid (TSS) levels recorded in the effluent.

Improvements at the SD platform during the year included an update of the STU operating procedure, upgrade of pumps, installation of new dissolved oxygen and chlorine meters and regular de-sludging of the settling tank. Analysis results for sampling conducted throughout 2009 showed around 80% compliance with ESIA requirements for residual chlorine, TSS and BOD. Faecal coliform bacteria^d counts remained erratic. Further modifications to the SD STU are planned for 2010 in order to improve performance.

The Istiglal drilling rig STU continued to experience operational difficulties. In 2010, the unit is planned to be replaced by a different model. In comparison, operation of the Dada Gorgud drilling rig STU was relatively stable, with only one significant excess discharge of faecal coliforms in November, 2009.

At Sangachal terminal some small bore sewage pipes were replaced with larger diameter pipes, grease interceptors were cleaned out, and maintenance was carried out on the STU. Effluent monitoring showed that the majority of sampling results complied with ESIA requirements. In May, total coliform levels^e were exceeded due to the incorrect use of contaminated sampling jars. In December, maintenance works at the STU resulted in another exceedance. Non-compliant sewage effluent from the terminal is transported to Sahil municipal sewage treatment plant for disposal.



Re-injection of waste water offshore (LTPW^a disposal option)

Offshore re-injection of our ACG produced water waste stream began in July 2009, following months of work to build the onshore produced water handling facility at Sangachal terminal and a linking subsea pipeline to the Central Azeri platform.

ACG produced water is now stored initially in a 130,000 bbl tank prior to undergoing de-oiling, filtration to remove sand and other solids, and cooling. Anti-corrosion chemicals are then injected before the treated produced water is pumped offshore to the CA platform for re-injection. At full capacity the plant is capable of separating and treating 80,000 bpd of produced water – more than adequate for the estimated peak production of this waste stream.

Benefits from the project include the elimination of the SPU's reliance on onshore disposal routes, the ability to re-use the treated produced water in offshore oil field reservoir pressure maintenance and a significant reduction in the produced water odour experienced at Sangachal terminal (due to decommissioning of the ACG PW storage pond).

For BP, this is the first time that all these technologies have been collected together and used in one application, and this in itself was a challenging part of the project. According to John Wilsher, the operations manager at the terminal, "one of the main issues was treating the produced water to a specification that would allow operation of the export pipeline and re-injection facilities for the next 25 years, with minimal risk to the environment and no loss of production".

Ambient environmental monitoring programme (IEMP)

BP in Azerbaijan's integrated environmental monitoring programme (IEMP) has operated since 2004 and is designed to provide a systematic approach to ambient monitoring and interpretation of results. By the end of 2009, the programme had completed a total of 70 monitoring studies over six years. Of the 13 surveys conducted in 2009, six were offshore marine surveys, one was a nearshore survey in Sangachal bay and six were onshore terrestrial surveys.

Offshore surveys

Offshore surveys in 2009 consisted of routine monitoring of existing assets, baseline monitoring of potential future assets and regional environmental monitoring.

Seabed monitoring was conducted in the vicinity of West Azeri, Deepwater Gunashli and Shah Deniz in order to monitor the impact of production operations at these platforms.

Baseline surveys related to planned future operations were conducted in the vicinity of the Chirag Oil Project and one of the Shah Deniz stage 2 wells. These surveys provide a snapshot of the existing environmental conditions prior to the commencement of future activities in these areas and help to identify whether sensitive ecological features are present.

Regional offshore surveys are conducted as part of the IEMP to help us understand background environmental trends. Sampling is carried out at locations some distance from BP Azerbaijan SPU activities (and third party operations) in order to provide information on changes in the marine environment resulting from natural developments. In 2009, a regional survey was undertaken in the vicinity of the Shah Deniz contract area. This involved physical and chemical sampling of the seabed and water column and faunal sampling of the benthic and planktonic populations.

Continuous improvement

In 2009, the BP Azerbaijan SPU integrated environmental model was awarded the BP group exploration & production HSE award for continuous improvement. The model provides a proactive approach to identifying environmental issues and addressing them at an early stage in the process.

Azerbaijan Pipelines commissioned two new STUs: one at BTC pump station PSA2 camp, and another at pigging station IPA1. Treatment capabilities include biological treatment, ultraviolet (UV) sterilisation, and a final "polish" of treated effluent in reed beds.

Sampling results from PSA2 in 2009 complied with BTC environmental and social action plan (ESAP) standards except for two instances in August and September when total coliform bacteria levels were above ESAP standards due to the failure of STU ultra-violet lamps. This problem has since been rectified. Commissioning of the IPA1 STU was completed in December and a sampling programme to monitor performance is planned to be conducted in 2010.

Produced water

A total of 666,986 tonnes of produced water (PW) was received at Sangachal terminal in 2009 from SPU-operated offshore platforms: Chirag 369,751 tonnes; Azeri 255,897 tonnes; DWG 22,438 tonnes and SD 18,900 tonnes. This compares to 381,222 tonnes of PW received by the terminal in 2008. The 75% increase is in line with the predicted PW profile based on rising ACG oil flow rates to the terminal.

During 2009, the long term produced water (LTPW) disposal option became available. Around 510,307 tonnes of produced water were transferred back offshore for re-injection (and discharge

during commissioning). The balance can be accounted for by export of water in the oil stream, and storage / evaporation from the ACG and SD PW ponds. There was no disposal of produced water by onshore third party contractors in 2009.

In October, a number of MENR representatives attended a presentation at Sangachal terminal on the LTPW facilities and made a site visit to see the plant in operation.

Hazardous liquid wastes

A local company, RT Services (licensed by the MENR to provide industrial waste utilisation services), treated 7,504 tonnes of contaminated brine in 2009 (compared with 15,220 tonnes in 2008).

The large quantities of liquid produced water filtration waste generated in 2008 (8,758 tonnes) were no longer an issue in 2009 due to the start-up of the LTPW project. In 2009 only 12 tonnes of solid filtration waste were generated by the process, which were treated and disposed of by RT Services.

Environmental monitoring

Environmental monitoring consists of two distinct parts - ambient monitoring, which focuses on the status of the surrounding environment in the vicinity of BP's facilities, and operational monitoring in which the discharges and emissions resulting from our operations are quantified at source.

^a Long-term produced water

Summary of 2008 ambient environmental survey results

Offshore

ACG contract area – regional survey	Little change in physical and chemical sediment characteristics from 2006 data. Hydrocarbon concentrations remained relatively unchanged from background levels. Overall seabed species abundance slightly lower in 2008. Closest stations to operational platforms showed no evidence of impacts.
ACG/Inam water quality and plankton – regional survey	Hydrocarbon concentrations in water column lower than in previous ACG surveys, levels of heavy metals generally low. Phytoplankton community diverse, whereas zooplankton community was low in abundance and species richness. Continued abundance of <i>Mnemiopsis leidyi</i> , and resulting predation on zooplankton, may be reason for low zooplankton diversity and abundance.
EA platform – operational monitoring	Hydrocarbon and PAH ^a concentrations low and similar to concentrations recorded in 2002 baseline survey (with exception of phenols). Detection of LAO ^b reduced from seven stations in 2006 to five stations in 2008, with lower concentrations present throughout. Seabed species abundant and diversity low. Similar community changes recorded at other survey sites within ACG contract area, indicating that the change may be result of widespread natural variation.
CA platform – operational monitoring	Hydrocarbon concentrations low and generally reduced from 2006 levels. Detection of LAO reduced from 13 stations in 2006 to five stations in 2008, with lower concentrations present throughout. Total seabed species abundance was similar to that recorded in 2006 but species richness was greater and comparable to the maximum recorded in 2004.
Chirag platform – operational monitoring	Detection of LAO reduced from 28 stations in 2006 to 11 stations in 2008, with lower concentrations present throughout. Hydrocarbon levels at majority of stations low, with highest levels to N/NE of platform. Two stations to NE of platform identified as having relatively fresh LAO present. Seabed community reduced in abundance and diversity since 2006. Examination of temporal variation in the physico-chemical data and community abundance/ richness since 2006 failed to explain this trend.
ACG/Sangachal pipeline – operational monitoring	Stations east of Zhiloy island extending into the ACG contract area had low hydrocarbon and metal concentrations and higher species abundance and richness. Stations south of Zhiloy island extending towards Sangachal bay recorded an increasing gradient of hydrocarbon and mercury contamination towards the coast. Macrobenthic communities were sparse in this area, which may be due to the presence of third party industrial contaminants.
INX-2 well – post drill survey	Hydrocarbon concentrations low throughout survey area. Concentrations of most trace metals within range recorded during 1999 baseline survey. General reduction in seabed species abundance between 2006 and 2008. Similar changes to seabed community recorded throughout the survey area, suggesting this is the result of regional variation and not drilling activities at this location.
SDX-4 well – post drill survey	2008 results comparable to results from 2005. SDX4 baseline survey. No evidence of impact from the drilling programme.
SDX-NF1 well – baseline survey	Range of physico-chemical parameters and seabed community similar to comparable data indicating that results from survey were characteristic of the area.

Nearshore

Sangachal sediment	Trenching and pipe-laying operations carried out within the bay did not appear to have had any long-lasting impact on the physico-chemical properties of the sediment or the seabed community.
Sangachal seagrass	Seagrass presence data, obtained from video samples, showed consistency between 2008 and 2006.
Sangachal fish	Fish species presence and abundance similar to that recorded in 2005. Metal levels in liver samples in line with previous surveys. Histopathology studies conducted on liver and gill samples showed generally normal status of tissue.

^a PAH = Polycyclic aromatic hydrocarbons.

^b LAO = Linear alpha olefin (synthetic based mud).

Summary of 2008 ambient environmental survey results (continued)

Onshore

ST terrestrial survey

Although the general assessment of ecosystem condition in the vicinity of Sangachal terminal (ST) fell within predicted ranges, the increase of non-terminal activities in the area may be a cause for concern in the future.

ST bird surveys

No significant effects of Sangachal terminal operations on bird populations detected. Bird species abundance and diversity is influenced by distribution of suitable habitat in the area rather than by the terminal.

ST ambient air

Average annual NO_x, SO₂ and VOC^a results were all below WB/WHO^b guidelines, with the exception of one station where SO₂ levels were 71 micrograms/m³ (opposed to limit of 50 micrograms/m³). This result was caused by one exceptionally high reading, which needs to be interpreted with caution. Real time monitoring station average results for NO, NO₂, NO_x and SO₂ all below guideline levels.

ST ground and surface water

Analysis of results from the entire monitoring period suggests there is no consistent or persistent contamination of ground or surface water in the vicinity of the terminal.

^a Volatile organic compound

^b WB / WHO = World Bank / World Health Organisation

Nearshore surveys

Fish monitoring took place in Sangachal bay in the spring of 2009 following a similar study conducted in 2008. The objective of the survey was to monitor the presence and health status of fish populations and contamination levels in the bay.

Onshore surveys

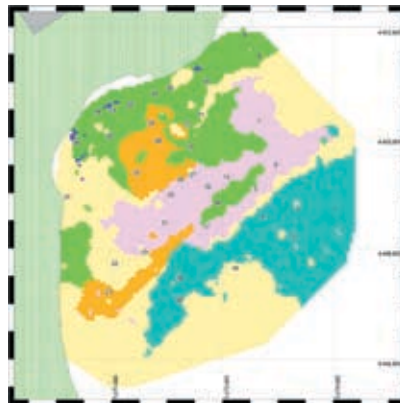
We conducted a number of onshore ambient environmental monitoring surveys under the IEMP in 2009. At Sangachal terminal the focus was on vegetation and soil stability, bird populations, air quality, ground water and surface water monitoring. At Serenja HWMF the focus was on air quality and ground water monitoring, where we increased the number of monitoring stations to reflect the growing scope of operations at the site. Along the WREP we concentrated on ground water monitoring.

The results of the 2009 offshore, nearshore and onshore ambient IEMP will be released in 2010. A summary of the 2008 environmental monitoring is provided in the table above.

Ambient environmental monitoring (BTC/SCP)

Ambient air quality monitoring in 2009 was undertaken at BTC pump station PSA2 in Azerbaijan and pigging station IPA1. The results demonstrated compliance with the BTC ESAP for all parameters. Surface and ground water quality monitoring, conducted at various locations on the BTC/SCP pipeline route, was comparable with baseline data.

The recovery rate of BTC/SCP land reinstatement was also surveyed. The results of *Iris acutiloba* monitoring demonstrated that translocated rhizomes have survived on the right of way (RoW). In addition, collection, threshing and sowing of seeds was continued over pre-identified areas. Bio-restoration monitoring showed an increasing trend in vegetation cover in all habitats. However, species commonality between the RoW and adjacent areas was still low.



Broadscale mapping of seagrass beds (green areas) in Sangachal Bay, 2008 data



Seagrass bed photographed during 2008 survey

An erosion potential assessment of the BTC/SCP pipeline corridor was performed for the first time in 2009 to help identify locations vulnerable to erosion, study rates of erosion and assist with the planning of preventative interventions.

Operational environmental monitoring

Comprehensive operational monitoring was also undertaken at BP in Azerbaijan's facilities in 2009. All the results were in compliance with the requirements of project-specific commitments such as production sharing agreements and environmental and social impact assessments with the exception of the following:

- A number of onshore and offshore sewage effluent sampling results – (see section on sewage).
- NO_x stack emissions at Sangachal terminal (caused by the high work load on oil heaters during the test) and NO_x emissions at BTC pump station 2 (which were compliant with ESIA requirements but exceeded ESAP standards).

These areas will be targeted for improvement in 2010. Operational monitoring results will also be submitted to the Azerbaijan State Statistical Committee in 2010.

Constructive meetings

In October, 2009, public meetings were held in Sangachal, Umid and Sahil to discuss the topic of air monitoring and air quality at Sangachal terminal. Community concerns regarding smell, noise generation, and flaring were discussed and mitigation measures outlined. Overall, the meetings were positive in nature and characterized by constructive dialogue between the BP Azerbaijan SPU and our neighbours.

2009 environmental highlights

- Full ISO 14001 certification of BP Azerbaijan SPU operations and related support facilities across Azerbaijan and Georgia.
- BP Azerbaijan SPU flaring and GHG emissions were reduced (compared to 2008) due to resumption of gas re-injection on Central Azeri platform.
- Commissioning and successful start-up and operation of produced water treatment facilities at Sangachal terminal.
- Environmental and social impact assessment for the Chirag oil project (development of a new West Chirag drilling and production platform) submitted to MENR.
- New sewage treatment units became operational at BTC PSA2 camp and at IPA1.



Sea view from a helicopter deck at West Azeri platform

Health

The management of hazardous substances remained central to our health focus in 2009. Food hygiene, industrial hygiene and medical preparedness were selected as priority areas for health auditing and training. Our employees were encouraged to take part in several internationally-sponsored health awareness campaigns.

Health initiatives

In 2009, as in the previous year, the management of hazardous substances was identified as a key risk for the BP Azerbaijan SPU. In response we launched several health initiatives:

- A skin surveillance programme involving risk assessment of employees on East Azeri and Central Azeri platforms. The purpose was to identify those employees potentially exposed to irritant/sensitizer chemicals. The programme will continue in 2010 with ongoing surveillance and medical checks.
- Laboratory workplace exposure assessments – chemical, biological and physical risk assessment of employees working in on-site laboratories at Sangachal terminal and on the BTC pipeline.

Tortoise breeding/release programme



Detailed information was provided in last year's report on BP in Azerbaijan's spur-thighed tortoise (*Testudo graeca*) breeding and release programme. In 2009, a plan was drawn up to release all the remaining tortoises from the breeding sanctuary near Sangachal terminal.

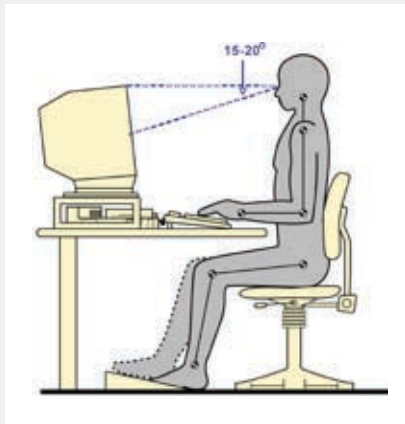
As a result, in June, 2009, a further 98 tortoises were released in the Gobustan area, using the same methodology and local participation as in previous years

the monitoring conducted in August, 2009, by the Azerbaijan Biological Diversity Centre, found the adaptation of these released tortoises to the natural environment to have been satisfactory.

Release of the remaining 47 tortoises (considered too young to be released in 2009) is planned for mid-2010, with a small number of females retained at the terminal for educational purposes.

Number of tortoises released





Treating ergonomics seriously

Helping employees to “work smart” has become a central element in BP group’s drive to enhance efficiency and improve productivity and employee morale worldwide. A key tool is proving to be the application of ergonomics - the science of designing the job, equipment and workplace to fit the worker.

In the BP Azerbaijan SPU initiatives falling under the heading of ergonomics range from demonstrating how best to sit at a desk, to the problems associated with computing for extended periods and the design of office furniture. “Ergonomics simply tries to adapt a job to align it as far as possible with the worker” explains Shahla Seyidova, occupational health advisor in BP in Azerbaijan.

A good example, she says, is the BP Azerbaijan SPU display screen equipment (DSE) management programme. This initiative provides employees with information on health and safety risks associated with this activity,

and outlines measures to reduce and control them. Each team in BP in Azerbaijan now has a DSE champion responsible for implementation of the programme. As part of the effort, employees who work on remote sites such as pump stations, offshore platforms, or terminals can ask advice from BP medical staff.

Another BP ergonomics resource is healthy computing, an intranet-based self-assessment tool. Rafiga Huseynova, health systems coordinator, believes that all DSE users should complete the assessment. “It helps employees understand whether their work habits are healthy or not,” she remarks. The tool recommends suitable improvements to enhance users’ well-being such as proper posture and keyboard use in the office. “We can also arrange specialist assessment and consultations for employees who think they have health issues which may be DSE related” notes Shahla.

- Produced water exposure monitoring – BTEX (benzene, toluene, ethylbenzene and xylene) exposure monitoring for operators and technicians involved in the storage and handling of produced water at Sangachal terminal. Monitoring results showed that exposures were insignificant and below threshold limit values.
- Sangachal terminal retrospective health impact assessment. This study took into account legacy issues, environmental monitoring data, cumulative impacts and emergency response. The conclusions will be available in 2010.

Health campaigns

Employees were encouraged to take part in several internationally-sponsored health awareness campaigns in 2009 including ‘World Health Day’ in April. As part of this, employees attended presentations and fitness assessments in order to give individuals a broader picture of their state of health. In parallel, a number of BP in Azerbaijan-specific awareness campaigns were held. Topics included eye safety, noise awareness, and healthy computing.

Throughout the year updates regarding Influenza A (H1N1) were issued by the health team to employees and contractors. A BP Azerbaijan SPU pandemic preparedness medical response plan was developed and an influenza vaccination campaign was undertaken at offices and on sites.

Health performance

Food hygiene, industrial hygiene and medical preparedness were highlighted as priority areas for health auditing and training during the year.

Food safety audits were organised at Sangachal and Supsa terminals, at camps along the export pipeline routes and on selected offshore platforms and vessels. Audits related to medical preparedness were carried out at supply, stand-by and passenger vessels, and at CA, EA, Chirag and DWG platforms.

A BP Azerbaijan SPU integrated pest control management programme was also developed. In line with this programme, pest and stray animal control audits were conducted at a number of Azerbaijan pipeline facilities.

A five-day course on the ‘Fundamental principles of industrial hygiene’ was delivered by members of the health team as part of our training programme for the year. The course was attended by 17 HSE professionals from across the SPU. Intermediate ‘Food safety for managers’ training was also provided to representatives from a number of external catering companies. In addition, breath alcohol technician training was delivered to 60 security and clinic personnel in Azerbaijan and Georgia.

2009 health highlights

- Exposure and surveillance programmes carried out to improve hazardous substances management.
- Retrospective health impact assessment initiated at Sangachal terminal.
- Pandemic preparedness medical response plan developed.
- Food safety, medical preparedness and pest control audits conducted at selected BP Azerbaijan SPU facilities.
- Food safety, breath alcohol testing and industrial hygiene training conducted.

Security and human rights

BP in Azerbaijan is responsible for maintaining the security of people and facilities within BP-controlled or operated sites. Security outside the sites is undertaken by the host government. Pipeline security is the responsibility of the Export Pipelines Protection Department (EPPD). Offshore protection is supplied by the Azerbaijani Navy and Coast Guard.

Working with communities

Between 2006 and 2008 BP conducted 213 meetings of the Inter-agency security committee (IASC) in communities along the BTC pipeline. In 2009, it was decided to assess the effectiveness of these meetings. We commissioned a survey of more than a thousand people living and working close to the pipelines in Azerbaijan. The study assessed attitudes to our performance on security as well as stakeholder communication and community interaction. The results indicate a reasonable level of awareness of the IASC, with around a third of respondents stating they knew of them, and a positive view toward public security providers for the pipelines. Suggestions for improvements included more awareness activities in the communities.

Based on the findings, we decided to set up security commissions alongside the existing IASC in all 13 regions through which BP-operated pipelines pass. These security commissions will implement the voluntary principles on security and human rights and assist in any investigation into allegations of human rights abuses in addition to carrying out the existing responsibilities of IASC.

In 2009, we tested a three-digit telephone hotline 114 to give people affected by our onshore operations an additional mechanism to report security-related concerns. We intend to make the hotline operational in 2010.

Grievance resolution

The grievance mechanism along the BTC/SCP pipeline route remained in use in 2009. Six community liaison officers (CLOs), pipeline technicians and security advisors were involved. We received eight complaints from land owners and users within the pipeline right-of-way in Azerbaijan during the year (8 in 2009 against 27 in 2008 which is 70% less). Topics included compensation issues (63%), and land ownership, land reinstatement and land use (37%). All the outstanding complaints were resolved by the end of the year. Seven complaints from previous years were also resolved.

While the number of complaints received from communities declined significantly in 2009, the number of requests related to permission to work on land for different types of activities in the pipelines' consultation and protection zones rose to 343 (compared to 191 in 2008). The great majority of requests were resolved satisfactorily.

Interacting with public and private security

The bilateral security protocol (BSP) signed with the government of Azerbaijan in 2007 came into force in 2008. In 2009, we discussed with the government procedures stemming from the BSP that were needed to make it operational. The protocol covers the provision of security for facilities operated by BP in Azerbaijan. It includes a definition of standards on the use of force and firearms, hiring and training security personnel, exchange of information and monitoring compliance.

Our cooperation with the Azerbaijani Navy and Coast Guard continued with the objective of implementing the recommendations of a review conducted with the government in 2008 to identify and mitigate security risks at all BP-operated offshore structures. A joint offshore security plan was approved by the Navy and the Coast Guard and endorsed by the government. A major emergency exercise was held. In a related move we introduced changes in the way we move crews offshore by ending the continuous helicopter service and replacing it with crew change boats. New measures were introduced to boost security provision at the port of Baku.

Human rights training for security guards at BP-operated projects in Azerbaijan continued. The objective in 2009 was to develop guards' communications skills, understanding of the need for restraint and their knowledge of international standards and BP values. Sixty two guards employed by SOCAR who work at the BP supply base also received this training.

Security of people and facilities within BP-controlled or operated sites is the company's responsibility and is sub-contracted to Titan D LTD.



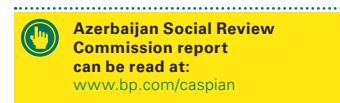
Pipeline patrol observing the area in Yevlakh region

Independent monitoring

The Azerbaijan Social Review Commission published its third report on BP's economic and operational impact in Azerbaijan in 2009. The Commission stated that it was "very impressed by the internal work undertaken by BP personnel to promote implementation of the voluntary principles" while emphasizing its view of the importance of BP remaining "constant in its support for the rule of law and internationally-recognized human rights."

Supporting the right to vote

We cooperated with the Central Election Commission to facilitate voting by our onshore and offshore staff during the constitutional referendum held on March 18, 2009.



People energy

What is BP doing in Azerbaijan to enhance the skills of its local workforce?

Our objective is to create a local company run by qualified Azerbaijani citizens. To this end, we have introduced policies and procedures designed to increase the number of national staff in senior posts and to develop a national workforce.



We are committed to building a strong national workforce. In 2009, we made good progress towards fulfilling this objective at all levels of the organisation.

Our people

Summary

During the year, we increased the number of national staff in the SPU as well as launched initiatives to keep existing employees motivated and engaged. Almost \$6 million was invested in staff training and development, more than 200 new employees were hired and we recorded a 12% increase in staff satisfaction levels.

Professional staff of BP Azerbaijan SPU, 2008-2009^a

Category	Number of people	2008 (%)	2009 (%)
National	2,222	83	86
Expatriate staff	360	17	14
Total	2,582		

^a The table shows BP national & expatriate professional staff working for the BP Azerbaijan SPU in Azerbaijan, Georgia and Turkey.

Professional staff of BP in Azerbaijan, 2008-2009

Category	Number of people	2008 (%)	2009 (%)
National	1,889	82	84
Expatriate staff	348	18	16
Total	2,237		

Senior level Azerbaijani managers by work disciplines, 2008-2009

Discipline	2008	2009
Business support	3	3
Communications & external affairs	6	3
Customs		1
Drilling & completions	5	7
Engineering		7
Finance	17	21
Health, safety, security & environment	16	15
Human resources	5	9
Information technology & services	3	5
Legal	2	3
Operations	22	16
Procurement & supply chain management	6	5
Projects	3	6
Subsurface & wells	10	12
Tax	4	4
Total	102	117



Investment in education

Hikmet Gayibov has a very solid educational background. He did his BSc and MBA at Azerbaijan State Economic University. "When I successfully completed both the foundation and professional stages of the Chartered Institute of Procurement and Supply (CIPS) course sponsored by BP, I was happy to imagine I had finished my ten-year post-high-school educational adventure," he remarks.

Today, however, he is being challenged by another two years' education albeit a bit different this time. "Hikmet was one of the seven procurement and supply change management (PSCM) specialists from BP in Azerbaijan to be accepted by Arizona State University on its supply chain management MBA programme," explains Rick Monical, Head of PSCM in BP in Azerbaijan. Participants in the programme

were nominated by BP PSCM and had to meet the American university's admissions criteria. "We see this programme as very important for the development of strong future leaders within BP's global PSCM context," says Dave Connor, vice president of BP group exploration and production PSCM.

Hikmet currently leads a large team representing the SPU drilling and completions sector. Its annual spend exceeds \$1 billion. "Only this year (2009) our team managed to save over \$25 million. There's more to come," he says. Perhaps not surprisingly Hikmet now thinks that investment in education is the most secure and risk-free commitment an individual can make. "No one can take it away from you. You can lose business, money, assets, but not your education."

Recruitment

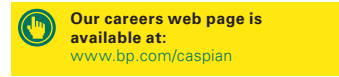
We continued to recruit high quality national staff into our organisation. In 2009, we attracted 3,350 applicants to the technician development programme of whom 120 were hired. They are undergoing a 14-16 month training period at the Caspian technical training centre (CTTC) before being deployed into operations. Our graduate recruitment campaign attracted 3,280 applicants in 2009. Forty five individuals were offered positions and will join 'BP challenge', our early professional development programme. Twenty three of these hires were Azerbaijani students studying overseas. We also hired 47 interns in 2009.

In 2009, 95 positions were posted on our website and we hired 56 people out of a total of 5,319 applicants.

The BP Azerbaijan SPU's success in attracting almost 12,000 applicants in 2009 reflects a number of factors. A sustained effort has been made to forge links with leading universities in Azerbaijan and Turkey. We have made good use of technology to widen the pool of applicants. Recruitment transparency has been improved with the introduction of a new competency based interview process. In parallel, we have established better induction processes that help bind new employees into the organisation more effectively.

A key priority for us in 2009 was to ensure compliance of the SPU's recruitment processes with global anti-bribery and corruption legislation. All applicants are now asked to disclose on their application form if they have any relationships that may potentially be viewed as having influence over the hiring decision-making process.

We continued to provide a competitive package of non-cash benefits to all permanent employees. It includes medical insurance, dental insurance, recreation facilities, accident insurance and family support payments. Local employees also participate in key BP group global reward programs such as Sharematch, variable pay plan (annual incentive bonus) and performance share plan.



BP in Azerbaijan recruitment statistics, 2008-2009

Discipline	2008 Graduate recruitment		2009 Graduate recruitment		2008 Ad hoc recruitment		2009 Ad hoc recruitment		2008 Technician recruitment		2009 Technician recruitment	
	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male
Business support					19	3	1	1				
Communications & external affairs						2	1					
Drilling & completions (D&C)	2	5	1	10		7		1				
Engineering		2	2	12	4	4	2	9				
Finance	1	3	3	2	6	7	1					
Health, safety, security & environment	1	2		2	5	19	2	6				
Human resources				1		2						
Information technology & services				1		1		2				
Legal					1			3				
Logistics					2	20		1				
Operations	2	3			6	15	2	9				
Planning							1					
Procurement & supply chain management		3	2	1	7	4	1	4				
Projects						5		2				
Subsurface		5	4	4	2	5	1	6				
Subsurface - technicians									3	72	1	117
Total	6	22	13	32	54	92	12	44	3	72	1	117
Grand total	28		45		146		56		75		118	

Nationals on overseas assignments, 2009^a

Assignment	Number
Continuing	16
Started	6
Finished	20

^a This includes Azerbaijani expatriates within and outside BP Azerbaijan SPU.

Incoming expatriates, 2009 (Azerbaijan only)

Discipline	Female	Male	Grand total
Business support		3	3
D&C	2	29	31
Engineering		7	7
Finance		1	1
Operations	1	8	9
Projects		2	2
Subsurface		7	7
Surface operations		1	1
Grand total	3	58	61

Outgoing expatriates, 2009 (Azerbaijan only)

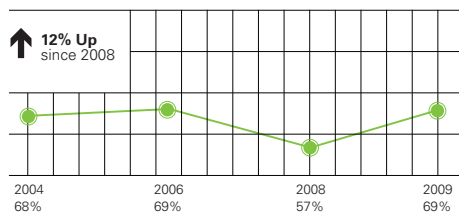
Discipline	Female	Male	Grand total
D&C		19	19
Finance	1	2	3
HRM		1	1
HSE		6	6
Legal		1	1
Other		1	1
Projects		4	4
PSCM	3	3	6
Subsurface	1	5	6
Engineering	1	5	6
Operations	2	18	20
Technicians		5	5
Grand total	8	70	78

Did you know?

That the scores of all question categories in the 2009 pulse plus survey improved compared to 2008 data:

Internal communications:	+25%
Commitment to the company	+23%
Trust in leadership	+13%
Confidence	+24%
Engagement	+11%

Employee satisfaction index



Invest your time into learning

"My profession is that of engineer. It was my childhood dream. My parents were engineers too", says Hamid Habib with a touch of pride. In 2009, he became Azerbaijan's first chartered process engineer. For this he is grateful to the schoolteacher who initially made chemistry so interesting to him.

It was while he was at secondary school that Hamid decided to become a chemical engineer. By 2006, he had been working on East Azeri platform. It was then that he began studying with the UK-based Institute of Chemical Engineers. Later he moved to the BTC operations team where he continued his studies. Last year he was promoted to senior process engineer in the Deepwater Gunashli offshore support team. Gaining chartered status, he says, fulfils a long term ambition. "It's confirmation of your level of expertise from an institution that is recognised worldwide. Being a chartered engineer is a big honour – one that I worked hard for and always believed I could achieve."

Today Hamid has two main goals in BP - to progress in his area of competence, and to coach the company's national graduate engineers. As he puts it: "I don't want to be the only one in this area. I will feel more successful when other Azerbaijani engineers get their qualifications. Further education is really important. Set goals and work to achieve them. That's crucial. Be passionate about your job! Invest your time to learn as much as possible. Apply your knowledge in real life. You have to like what you do - only then you will be successful."

Employee engagement

Annual staff satisfaction survey

We gather feedback from employees in various ways. Each year the BP group conducts a staff satisfaction survey to seek feedback from employees across the world. The 2009 survey showed that overall employee satisfaction in the SPU was 69% - in line with the BP group average. This was a significant improvement for the SPU and included all key employee categories. The largest improvements were recorded amongst staff on offshore platforms (+32%) and at Sangachal terminal (+31%).

The improvement in morale at Sangachal terminal reflects a determined collective effort throughout the year to deliver on our promises.

Technicians forum

The Technicians forum was established in the middle of 2008 as a way for the SPU leadership to connect directly with the cutting edge of our operations - the technicians who work on production platforms, terminals and pipelines. The forum meets three times a year. In its first 18 months more than 100 technicians participated.

The forum allows company leaders to understand better real challenges at the frontline and to develop appropriate responses to improve the company's

performance. The technicians gain access to top management, share their experience and provide feedback on various processes and initiatives within their areas of competence. They may also raise concerns and make suggestions on how we can improve.

As a result of forum discussions in 2009 a technicians-to-engineers career development process was created to open up new career paths for technicians. Changes were also made to the training syllabus at the Caspian technical training centre.

Fresh Thinkers network

The Fresh Thinkers network brings together 20-25 employees from different parts of the SPU to interact with management on organisational issues. It is used by management as a sounding board to test initiatives and seek feedback. A number of discussions in the network were held during 2009 and two meetings took place.

Employee assistance programme

A confidential employee assistance programme was launched in Azerbaijan and Georgia in 2009 for national staff and family members. Free counselling is provided by PPC, one of the leading global providers of such programmes. The intention is to support employees who may have personal issues - such as work-life balance or relationship questions - which they want to discuss.



BP staff at Chartered Institute of Personnel Development (CIPD) graduation ceremony

Talent and development

We invested in a range of training and career development options for our employees in 2009.

Personal and leadership development

A wide variety of business skills training options were offered in 28 training sessions in 2009. The subjects ranged from project management to foundation courses in finance and economics. These courses were attended by 436 employees.

We expanded leadership training by introducing courses under the theme 'Managing essentials'. The new topics included effective team working and improving personal performance. Ten 'Managing essentials' classes were delivered during the year attended by 241 BP team leaders.

Language training

English language training for national staff continued. In December, 2009, 353 employees were taking part. We also introduced Azerbaijani classes in 2009 for national staff wishing to improve their knowledge of the language in a business context.

Early professional development - BP challenge

Several changes were introduced to our BP challenge graduate development programme in 2009. They included giving more emphasis to on-the-job training, longer tenure in initial roles and greater focus on operational experience in the early years of employment. A two week long Global challenge induction event was held in Baku and 56 BP challengers from Azerbaijan took part. The event was designed to give participants a comprehensive overview of the oil exploration business. In all, 56 challengers from six work disciplines graduated successfully from the programme in October, 2009.

BP permanent staff based in Azerbaijan, 2008-2009

Employment type	2008		2009	
	Female	Male	Female	Male
National	401	1438	386	1589
Expatriate	15	347	13	340
Grand total	416	1785	399	1929

BP agency contract employees based in Azerbaijan, 2008-2009

Employment type	2008		2009	
	Female	Male	Female	Male
Agency national	108	140	88	108
Agency expatriate	12	388	8	340
Grand total	120	528	96	422

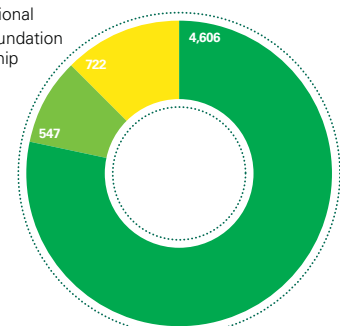
Irina Schukina Talent & development team leader



Building a strong leadership group is fundamental to the company's future growth and competitiveness, both in Azerbaijan and around the world. The 'Managing essentials' programme is one of our key developmental tools to help us achieve this strategic objective. Over the past two years 379 of our national employees have attended the programme to enhance their skills and to prepare themselves for bigger roles.

BP Azerbaijan SPU total training spend, 2009 (thousand USD)

- Professional
- Core-foundation leadership
- HSE





Don't be afraid of challenges

In the 1990s, Zaur Pashayev started to learn English as he felt it would be central to any active involvement in Azerbaijan's new oil era. His goal was to work in a major international oil company which offered the best technology, a wide scope of operations and the highest international standards. In 1998, he got a job as a production technician with BP in Azerbaijan.

Little more than a decade later Zaur is managing the Chirag offshore platform. Of his present job he says: "Each day is a challenge. I have to be focused on people and process safety, operations, equipment, maintenance and budget. It's like juggling several balls at the same time. I need to deliver all this every day. Some people say,

rather ironically, that a platform manager does nothing but is responsible for everything. The essence of the job to me, and the everyday challenge, is balancing these things. That's what I very much enjoy!"

Looking back on his development Zaur believes that to fully understand the oil and gas business it is necessary to work offshore. "When I joined BP I already had a goal. I knew exactly what my gaps in experience were, what I needed to learn and which competencies I had to develop in order to become a platform manager." He has some general advice to anyone hoping to emulate him. "Don't be afraid of challenges. Don't be afraid to leave your comfort zone. Think what success will look like, visualise it and make it happen. Hard and effective work doesn't go unnoticed."



Sabina Ismayilova
HR advisor to Sangachal

At Sangachal terminal (ST) a sustained effort was made during 2009 to reinforce BP's key messages about the importance of safety and the necessity for high standards of performance. We stimulated transparent and honest feedback between management and employees. Among the tools were meetings between managers and technicians, monthly learning sessions for supervisors and regular safety briefings by local leaders. An "open door" policy involving all ST employees was encouraged.

Professional qualifications

As part of our efforts to improve employee qualifications we sponsor professional education for national staff. At the end of 2009, 92 students were studying to become members of the UK-based Chartered Institute of Management Accountants. Twelve employees had graduated from this programme.

Other individuals are being helped to become members of the UK-based Chartered Institute of Personnel Development – 13 HR staff graduated from this programme in 2009. We also sponsored seven employees to participate in a specially designed MBA programme run by the W.P. Carey School of Management at Arizona State University in the United States.

Another initiative encouraged engineers in the SPU to acquire certification as chartered engineers from the UK-based Engineering Council. BP in Azerbaijan now employs ten national staff in this category. We continued to support the Society of Petroleum Engineers (SPE) in 2009. This organisation brings together hydrocarbon professionals to share knowledge and promote the attractions of the petroleum engineering discipline. The Azerbaijan SPE chapter is one of the fastest-growing in the SPE with some 100 student members and 100 professional members, many of them from BP.

Caspian Technical Training Centre (CTTC)

Several initiatives were introduced at the CTTC to strengthen and improve the quality of training. A new fast track programme for high calibre candidates was launched to cut down the time to graduate based on an individual's previous experience and education. In 2009, 37 of the 120 hired technicians trained on the fast track programme rather than the full foundation programme. We also upgraded the curriculum and introduced a fully integrated programme that includes English language training, behaviour training and technical training.

Contractor workforce At the end of 2009, the ACG project was completed and all contractor staff were demobilised.

Labour relations There were few labour relations issues during the year and those that did arise involved no loss of work time and were handled through the labour management framework. We continued to make use of arrangements put in place to address labour issues related to the work of ACG contractors. These included an agreement covering financial assistance for demobilisation.

BP in Azerbaijan national professional recruitment targets, 2010^a

Disciplines	Graduate	Interns	Technicians
Subsurface	5	5	
D&C	1	1	
Engineering	3	5	
Finance	1	1	
HSSE	1	2	
Projects	1		
PSCM	1	1	
HR		1	
Legal		1	
Total	13	17	120

^a This table does not include targeted experienced hires as they are recruited based on ad hoc business needs.

Compliance and ethics

All employees of the BP group, wherever they work, are obliged to observe and uphold the company's code of conduct.

Overview

The code of conduct sets BP's universal minimum expectations for businesses and employees regardless of their location, work status or background. It requires all BP employees to comply with all applicable legal requirements and the ethical standards set out in the code – wherever they are based.

Where differences exist as the result of local customs, norms, laws or regulations, either the code or local requirements should be applied – whichever sets the highest standard of behaviour. Failure to follow the code is taken very seriously and may result in disciplinary action up to and including dismissal.

Provisions in the code prohibit illegal, corrupt and unethical practices. The BP group's worldwide policy of making no corporate political contributions, whether in cash or in kind, is emphasised. The code also provides detailed guidance on the giving and receiving of gifts and entertainment and the avoidance of conflicts of interest. It specifically prohibits bribery and money laundering.

Milestones of 2009

The BP Azerbaijan SPU has identified certain areas of business within our operations where fraud and ethical risks have particular potential to occur. These are primarily in contract and supplier selection, contract administration and gift and entertainment processes.

As part of the annual certification process, employees in the SPU in 2009 were asked to confirm that their activities during the year had been in compliance with the code of conduct and that any breaches of the code had been recorded in a breach database. As a result we received personal attestations that addressed questions and issues around gifts and entertainment and conflicts of interest. In total, 54 breaches of the code of conduct were reported in the SPU.

During the year, a number of BP employees in Azerbaijan were dismissed, and contractor and agency personnel released, for non-compliance with applicable laws and regulations and/or violations of the code of conduct. Examples of non-compliance included substance abuse, misuse of company assets, fraud and theft.

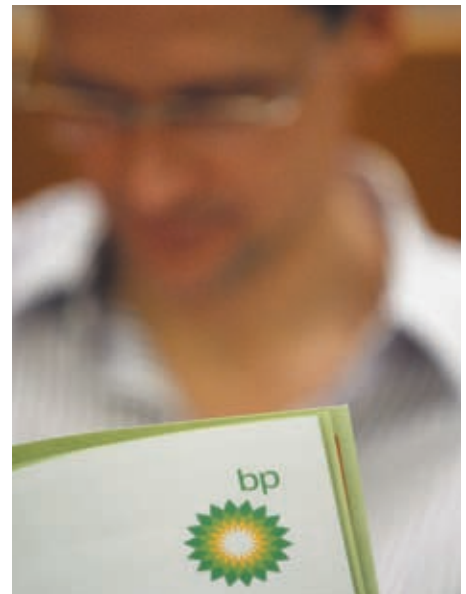
As bribery and corruption remained the most serious compliance risk facing the exploration & production segment in the BP group, the BP Azerbaijan SPU launched mandatory code of conduct and anti-bribery

and corruption awareness e-learning training in 2009 for all BP and agency personnel. The company's confidential compliance and ethics helpline, OpenTalk, functioned throughout the year, allowing callers to raise ethical concerns indirectly with management. In addition our compliance & ethics team continued its code of conduct induction sessions for newcomers to the SPU.

During the year, the government of Azerbaijan introduced a "one stop" system for all foreign citizens wishing to work and reside in the country. Subsequently we cooperated with the State Migration Service to obtain the correct documentation for all BP employees, agency personnel and family members (approximately 1,200 people). A special team was set up to ensure compliance and we created a new database for assurance purposes. This tool allows us easy storage and retrieval of immigration-related information such as issue and expiry dates for work and residence permits. It also gives us the ability to track the progress of outstanding issues.

Contractors and ethics

Most of our business in the BP Azerbaijan SPU is undertaken in co-operation with local contractors. All of them are selected carefully and on merit alone. We expect our contractors to comply with all legal requirements and to perform in line with BP's code of conduct. In 2009, we hosted a number of ethical awareness workshops for contractors. We also focused attention on ethical issues and compliance with the code of conduct at supplier performance review meetings. Many suppliers were asked during the year to complete anti-bribery and corruption compliance declarations.



OMS conference in Baku

Local energy

How do we support local communities?

Mutual advantage is at the core of how the BP group conducts its business worldwide. In Azerbaijan, we support sustainable economic and community development, encourage educational initiatives and strive to protect the environment.



Dialogue and engagement

Throughout 2009, we engaged with large numbers of people at many levels of society in Azerbaijan. Constructive dialogue and a commitment to work together for mutually beneficial outcomes characterized the meetings and discussions.

With government

- On April 13, 2009, President of Azerbaijan Republic İlham Aliyev received a delegation headed by the then president of BP Azerbaijan, Bill Schrader, on the occasion of the 100th anniversary of the founding of BP. Subsequently, on the 15th anniversary of the signing of the 'Contract of Century,' President Aliyev awarded Bill Schrader the "Dostlug" decoration for his services to Azerbaijan. Other BP staff were awarded the "Tereggi" medal.
- Several meetings took place with President Aliyev and other senior officials to discuss our operations. In January 2009, Tony Hayward, BP group chief executive officer, met with the President during the World Economic Forum at Davos, Switzerland. In August, President Aliyev met with Andy Inglis, BP chief executive for exploration and development.
- In July, a memorandum of understanding to explore and develop jointly the Shafag and Asiman structures in the Azerbaijan sector of the Caspian Sea was signed by Rovnag Abdullayev, President of SOCAR, and Andy Inglis in London in the presence of President Aliyev and UK Prime Minister Gordon Brown.
- We cooperated with the Central Election Commission to facilitate offshore and onshore voting by Azerbaijani citizens in a national referendum held on March 18, 2009.
- Visitors to BP-operated sites in Azerbaijan included senior Azerbaijani officials, the Presidents of Estonia, Latvia and Syria and the defence minister of the Czech Republic. We hosted delegations from the European Commission and from the government of Israel.
- We worked closely with SOCAR on issues of mutual interest within the framework of our production sharing agreements (PSAs), host government agreements (HGAs) and other agreements.
- As part of our capacity building programme, we supported the Ministry of Economic Development (MoED) on advisory services on macroeconomic management and institutional reforms (ASMMIR) (page 38).



Disabled children touring the CEC

- We co-financed the capacity building component of a business enabling environment (BEE) project launched by the International Finance Corporation (IFC) (page 40).

With civil society

- We met with the Azerbaijan scientific community, NGOs, the public and the media to discuss the potential environmental and social impact of the full Chirag Oil Project development, as well as recommended mitigation measures.
- We cooperated with civil society on the Extractive Industries Transparency Initiative (EITI) (page 38).

With employees

- Several 'town hall' meetings were conducted to discuss topical issues.
- We maintained a regularly updated internal website.
- The president of the BP Azerbaijan SPU issued a monthly newsletter in order to enhance direct communication with employees.
- Ten issues of the staff magazine 'Compass' covering 2009 were issued in the Azerbaijani (hard copy) and English (online version) languages.
- BP's new operating management system (OMS) was conveyed to employees using various means, including web/email communication and videos.
- Technician forums were held three times during the year to increase engagement with our national technician workforce. The topics ranged from company performance to staff training and development issues.
- We recognised long-serving employees through the service year award programme launched in 2008.
- The compliance and ethics helpline, OpenTalk, operated without interruption.

- Seven family days were organized for BP employees and their families at the Caspian Energy Centre. Two hundred and forty two people attended.

With communities

- The grievance mechanism in place along the BTC/SCP pipeline route continued to operate during 2009.
- Our support for the Inter-Agency Security Committee (IASC) forum which facilitates dialogue between BP in Azerbaijan, community members and government security providers, was sustained throughout 2009 (page 29).
- Our employees contributed to community development through the Employee engagement programme (EEP) (page 42).

With the media

- Quarterly business updates were issued to the media to report the results of our activities in all aspects of our business in Azerbaijan.
- BP Azerbaijan SPU's leadership held meetings with the media and TV interviews were provided on our current activities, achievements and plans.
- Group and individual briefings and presentations were arranged for local and international journalists. We organised three media workshops and 16 visits to our sites.
- A total of 22 press releases were issued during 2009 covering milestones and progress in all aspects of our business.
- A 24 hour response line was made available to the media during incidents.
- Our communications manager provided monthly 30-minute talks on national radio about BP's activities in Azerbaijan.
- The BP-funded business journalism training project was extended to offer additional modules.

With other interested parties

- Business visits:
 - We hosted site visits by representatives of Itochu, Petronas, Total, IMF, TPAO, Statoil and businessmen from South Korea.
- Students:
 - We launched the geosciences and engineering speaker series to strengthen the interest of young people in Azerbaijan in geosciences and related disciplines.
 - Feedback sessions were held with students to discuss the BP in Azerbaijan Sustainability Report 2008.
 - We supported various scholarship programmes and also engaged students through our intern programme to give them on-job work experience in various departments in the BP Azerbaijan SPU.
- Trade unions:
 - We engaged with SOCAR and local trade unions to address labour issues related to the work of our ACG contractors. As a result, certain categories of demobilised workers received some financial assistance.
- The Azerbaijan Social Review Commission (ASRC):
 - The SPU continued its involvement with the ASRC, an independent external monitoring group set up by BP to provide assurance, advice and challenge to our social performance in Azerbaijan. In May, 2009, we hosted an ASRC session which discussed a number of performance-related issues. The third ASRC report to BP, containing several recommendations, was posted on BP in Azerbaijan's public website together with our response.
- General public:
 - We hosted a corporate social responsibility (CSR) specialists' meeting at the Caspian Energy Centre (CEC) and shared our CSR activities in Azerbaijan with the participants.



We maintained and updated our external website:
www.bp.com/caspian

Revenue transparency

Transparency and good governance reflect BP's values. We believe that if used effectively, the wealth created by hydrocarbon development can bring wide socio-economic benefits to all sections of society.

Overview

For more than two decades BP has supported a voluntary approach, based on consensus-building, to issues related to revenue transparency and good governance. As a long-standing participant in the Extractive Industries Transparency Initiative (EITI), the company works with governments, non-governmental organisations, international agencies and other companies worldwide to contribute to sustainable development by increasing transparency around revenue flows.

In Azerbaijan, BP has supported the EITI, which encourages the creation of standardised processes for transparent reporting of company payments and government revenues from oil, gas and

mining, since the initiative was launched in 2003.

Real progress was achieved in 2009. In February, at the 4th EITI international conference held in Doha, Qatar, Azerbaijan became the first EITI compliant country out of 26 candidate countries, having completed the validation process and the EITI board's quality assurance process. This breakthrough reflected the joint efforts of government, civil society and extractive industry companies.

In August, BP in Azerbaijan submitted its 11th EITI report covering the period January-June 2009. Our 12th EITI report covering the 2009 calendar year was submitted in March, 2010. The data in this submission can be read on page 46 of this publication.

In parallel, we continued our efforts to enhance economic planning capacity in Azerbaijan and to build policy-making capacity in the Ministry of Economic Development (MoED). This involved continued support for the advisory services on macroeconomic management and institutional reforms (ASMMIR) project. Its purpose is to strengthen technical policy advice and the capacity of the MoED in such areas as macroeconomic analysis, policy

formulation and economic management.

In 2009, we helped to fund a group of experts from the Centre for Social and Economic Research, a Warsaw-based think tank. The team is providing technical assistance to the MoED in macroeconomic analysis, economic planning and policy formulation over a two-year period with a view to augmenting the ability of the MoED's economic forecasting and analysis department to produce statistical data analysis, econometric modelling and macroeconomic projections.

During the year, we also supported on-the-job training for MoED staff in modelling and the use of econometrics for economic analyses. A model was developed as part of the ASMMIR project to provide a tool for analysing and projecting macroeconomic and fiscal developments in Azerbaijan. Our earlier sponsorship of Oxford Economics Ltd helped to develop a long-term macroeconomic model at the State Oil Fund of Azerbaijan (SOFAZ).

By supporting such projects in co-ordination with relevant government agencies we believe that BP, in line with its values, is making a worthwhile contribution to the improvement of revenue management in Azerbaijan.

Enterprise development

Promotion of sustainable economic development was at the core of our drive to advance local enterprise in Azerbaijan in 2009.

Milestones of 2009

During the year, we jointly developed local content definitions with the government of Azerbaijan specifying local supplier criteria for foreign companies operating in the country, the methodology of calculating local spending and the definition of local content. Twenty seven local companies signed new long term contracts with us worth over \$550 million.

Growing local commitments

In 2009, 27 local companies were awarded new contracts while about 40 companies had their contracts extended with BP in Azerbaijan.

Our spending in Azerbaijan in 2009

The year 2009 was highlighted by a strong BP group drive to optimize supplier contracts worldwide with the primary objective of focusing on total cost of ownership and value creation. This development, along with BP Azerbaijan SPU's reduction in activity set, led to a decrease in our third party expenditure in Azerbaijan, so lowering the BP Azerbaijan SPU's total spending in 2009 compared to 2008.

Despite some decline in total in-country expenditure, the overall percentage of spending with small and medium-sized local enterprises (SMEs) rose by 3 percent, resulting in an additional \$132 million stimulus for these suppliers. The optimizing of suppliers in 2009 resulted in a focus on total cost ownership leading to cost reductions with joint ventures (JVs) who focused on value creation. This value creation will enable the JVs to provide sustainable business for many years and provide additional growth opportunities for national suppliers.

Overall, BP and its co-venturers' in-country operational and projects expenditure in Azerbaijan in 2009 totalled \$1.03 billion against \$1.3 billion in 2008. This included direct spending with SMEs of \$132 million (\$128 million in 2008), \$29 million with state-owned companies (\$37 million in 2008), \$320 million with JVs (\$408 million in 2008), and \$547 million indirect local spending through foreign suppliers working in Azerbaijan (\$737 million in 2008).

For on going operations, our in-country spending with local suppliers totalled \$894 million in 2009 against \$1 billion in 2008. This included \$128 million direct spending with SMEs (\$119 million in 2008), \$28 million with state owned companies (\$22 million in 2008), \$305 million with JVs (\$325 million in 2008), and \$433 million in indirect spending (\$535 million in 2008).

In total, BP and its co-venturers did business with 2,152 companies in Azerbaijan in 2009 against 2,600 in 2008. Of these companies 309 (14%) were SMEs compared to 12.6% in 2008.

Following the reorganization of the Enterprise Centre (EC), two groups have been formed to sustain our commitment to local content enhancement – the local content group and the enterprise development group. The local content group was formed in June, 2009, and embedded into the procurement and supply chain management (PSCM) department. Its mission is to support the BP Azerbaijan SPU PSCM in maintaining and expanding local content used by BP and our main international suppliers in Azerbaijan through performance monitoring, local supply chain development guidance and technical assurance.

Enterprise development efforts continued to be managed by the communication and external affairs (C&EA) team. Our objective is to widen opportunities for local companies to supply the international oil and gas business

in Azerbaijan. We try to achieve this by building and strengthening local capabilities, facilitating the local content of international companies through targeted development initiatives and contributing to sustainable economic performance of enterprises in the country in close cooperation with the local content group.

In 2009, we conducted a local market capability assessment with the help of independent experts and produced specially-tailored business development plans. Market research was conducted in cooperation with our enterprise development and training programme (EDTP). Nationalization targets for professional core, professional business support and the non-professional workforce were developed and introduced to BP's core and strategic suppliers.

Access Bank expansion

This project was launched towards the end of 2007 and completed in 2009. Its objective was to expand the provision of financial services to micro and small businesses in the cities of Ganja, Mingchevir and Gazakh.

Training measures exceeded planned

The principles of sub-contractor selection

Where competition exists in the market, sourcing is the preferred BP option for selecting contractors.

Sourcing includes technical and commercial evaluation. The technical part is done by the BP Azerbaijan SPU's technical evaluation team. It involves a review of compliance with technical requirements; the supplier's product; manufacturing or service data and/or procedures; the supplier's technical experience, facilities, personnel qualifications and experience; and the supplier's quality assurance and health, safety and environmental standards.

Commercial evaluation is undertaken by our procurement and supply chain management (PSCM) team. It reviews prices and cost models and relates them to our nationalization targets.

The PSCM team is the overarching manager of the sub-contractor selection process. It coordinates preparation of the invitation-to-bid phase, structures the reimbursement model, develops the evaluation procedure and scoring mechanisms, responds to requests for clarifications, makes awards and chairs debriefing sessions.



Upgrading a transport fleet

A state-of-the-art online e-sourcing tool known as ARIBA, and a reverse e-auction system pioneered by the BP Azerbaijan SPU's procurement and supply chain management (PSCM), resulted in a local company – AZ Logistics & Management Services Ltd. – signing a five year agreement with the SPU in June, 2009. Valued at \$13 million, this is one of the largest and most complex waste transportation contracts agreed by BP in Azerbaijan since it began business in the country in 1992.

As a result of the agreement, Az Logistics' truck fleet is being upgraded and certified to meet European hazardous waste transportation management requirements. AZ Logistics' new operations base, open since August, 2009, already meets BP's health, safety and environmental requirements and will enhance the quality of services provided.

The detailed phased mobilisation and delivery plan, agreed by both parties, is now being implemented to meet BP Azerbaijan SPU operational schedules and to deliver the high standard services laid down in the contract. Az Logistics is not the only winner however. By optimising the contract remuneration structure, aggregating several waste transportation contracts into one and making use of a local contractor, the SPU's PSCM department achieved significant cost reductions for BP as well as notching up another important milestone in the organisation's localization objectives.

levels and were highly successful. In all, 62 loan officers received training. Over the project life cycle 10,644 micro and small enterprises obtained loans with a total value of \$63.2 million. The portfolio at risk was kept below the contractually agreed target of two percent.

Enterprise development and training programme

The enterprise development and training programme (EDTP), launched in 2007, is part of our drive to help local oil and gas sector companies achieve international standards, so increasing the local content of our contracts in Azerbaijan. The programme includes identification of potential local suppliers, detailed gap analysis and, where appropriate, the creation and implementation of a tailored development plan.

In 2009, EDTP implemented 255 gap analyses and delivered 60 detailed action plans. Twenty five companies "graduated" from EDTP in 2009.

Since 2007, EDTP has achieved significant results. By the end of 2009, the total value of contracts obtained by EDTP clients was well over \$42 million. EDTP clients had invested around \$4 million in new capital equipment, health and safety improvements and enhanced quality management systems. One hundred forty six new employees had been hired.

As part of EDTP's development

plan, the whole project has been localized. Starting in 2010 it's being implemented through a locally registered entity, AzERMS. As a result ACDI/VOCA – the US based implementing partner – exited the project at the end of 2009 as part of the transition.

Micro and small lending programme with EBRD

Under the framework agreement signed between BP and European Bank for Reconstruction and Development (EBRD) in 2006, BP and its co-venturers committed \$6 million for loans and technical assistance to financial institutions in Azerbaijan and Georgia in support of private sector development. The objective is to enable micro and small enterprises to access loan capital and to help develop a strong microfinance sector in both countries.

From 2007 until end 2009, the financial institutions supported by the programme provided some 292,962 loans for micro and small enterprises in Azerbaijan. The total value of these loans was around \$420 million.



For more information about EDTP, please visit: www.edtp.az

Doing business with BP in Azerbaijan

A step-by-step explanation:

1. To get information on those business sectors from which BP procures services and products in Azerbaijan, as well as BP's specific requirements, a company should first contact either our local content group or the enterprise development and training programme (EDTP) (see below).
2. EDTP then conducts a gap analysis of the company and advises it on what may need to be improved for the company to meet BP's tendering requirements.
3. After successful participation in EDTP's 'implemented development process' the company is involved in BP's technical assurance process, and audited by BP experts in relevant disciplines.
4. If the company successfully passes BP's quality audit, it is included in the list of qualified suppliers. This comprises companies capable of delivering required services/products and meeting international standards and BP's requirements.
5. If and/or when the company is invited to be part of a BP tender process, the management of the company must submit its proposal to BP in accordance with instructions provided by BP. Failure to comply with these instructions means that the company will be disqualified from the next step - evaluation of proposals (bids).

Supplier financing facility (SFF) with the International Finance Corporation (IFC)

This facility was established in 2006 to assist local companies supplying Azerbaijan's hydrocarbon industry. Loans are given to the businesses awarded contracts by BP's supply chain management on behalf of the co-venturers.

By the end of 2009, loan capital totalling \$2,075,000 had been disbursed to four companies: Debet \$675,000; AzMetco \$300,000; Rapid Solutions \$1 million and Student Travel International (STI) \$100,000. Three companies received the loans in 2007-2008. The STI disbursement was made in 2009. In all cases, the loan was given to local companies that had won a contract with BP.

Business enabling environment project

BP and its co-venturers finance the capacity-building component of an overall Business enabling environment (BEE) project launched by the International Finance Corporation (IFC). The project has been designed to assist the government of Azerbaijan in improving legislation in the permits/licensing and business registration spheres.

In 2009, the project conducted a survey of more than 1,800 SMEs based in all regions of the country. The objective was to assess existing business conditions in Azerbaijan and to develop recommendations to improve them. To help boost local capacity the project worked with the Ministry of Economic Development and the Ministry of Taxes on a smaller survey concerning the business registration system. The results of both surveys will be reported in 2010.

Advisory services on macroeconomic management and institutional reforms (ASMMIR)

This project is described in detail in the revenue transparency section of this report (page 38).



Open minds pay off

Azecolab was established in 2000 as a private Azerbaijani company. It provides environmental laboratory testing services and environmental studies in the Caspian region. EDTP started to cooperate with Azecolab in March, 2008.

To begin with, EDTP conducted a baseline study of Azecolab to analyse the organisation's compliance with ISO 17025 (an international standard used for testing and calibration laboratories) and BP's HSE requirements. As a result, EDTP prepared a six month development plan so that Azecolab could meet the international levels necessary to work with BP. After this it engaged an international consultant to make a diagnostic review of Azecolab's operations. This enabled the company to accelerate its implementation of the changes necessary to reach international laboratory services standards.

Through this close collaboration Azecolab has advanced by leaps and bounds and gained a number of contracts for the provision of various laboratory services. The company's competitive position in the market has improved noticeably and, with it, its list of customers – today, at 26 companies, almost double its original number. Says Dr. Bahruz Suleymanov, Director of AzEcoLab: "Our cooperation with EDTP has enabled us to set a very effective management system. Now the quality of our services meets the requirements of international standards. Our annual turnover has increased twice and we receive positive feedback from our customers. We're very thankful to the whole EDTP team and everyone who is involved in this project for the support provided to us."

Working with communities

Our long term interaction with the communities located close to our facilities in Azerbaijan broadened and intensified in 2009.

Overview

BP and its co-venturers' community programmes in Azerbaijan have dual objectives – to support sustainable socio-economic development and to improve the capabilities of the neighbourhoods and villages near our operations.

Milestones of 2009

In 2009, the Community programme (CP) was implemented in over 70 communities in Azerbaijan. It was focused on two main areas - income generation and the provision of wider economic opportunity for communities. In total, BP in Azerbaijan and its co-venturers allocated nearly \$3.4 million to the CP during the year.

The key projects were:

Youth employment and economic opportunities expansion initiative

This initiative covers Sahil, Umid and Sangachal settlements in Garadagh district. It is overseen by Umid HSSC and Junior Achievement Azerbaijan (JAA) and concentrates on training young people in practical employment skills. An overall budget of \$439,090 had been set of which \$91,341 was spent in 2009.

During the year, 60 participants were trained in resumé writing and interviewing. More than 60 entrepreneurs were linked to credit organisations and helped with business-related issues such as financial registration and creating business plans. Twenty young people with technical skills were helped to start their own business.

Potable water improvements in communities along the BTC/SCP pipelines

A two year project run by Umid HSSC, this initiative ended in March, 2009. Almost \$525,000 was allocated to the programme in 2007-2009 of which \$10,000 was spent in 2009. A total of 11 communities gained access to potable water through the installation of water purification units. Practical help was given to eight limited liability companies set up to operate the purification units efficiently and to handle the sale of water. Around 16,000 people in the communities involved took part in awareness-raising activities. More than 10,000 instructional booklets were distributed.



Paving the way for success

In Garkhun, a village in Yevlakh region, a community group exists with a mission to identify and solve local problems. In 2009, it decided to repair the main village road, last patched up in 1987 and by then no longer usable by vehicles or pedestrians. As the road is the only link to the regional centre, markets, hospitals and schools, this was a matter of some urgency.

Rehabilitation became possible thanks to the existence of the "Management of community micro projects" programme (see below) sponsored by BP and its co-venturers. The initiative offers advice on how to write project proposals and advances funds to successful schemes.

The Garkhun group set about putting together a proposal. It was then approved by Umid HSSC. "When I heard this news, I was so happy and excited to realize that we had succeeded," says Shafagat Talibova, leader of the group. "Some people in the village supported me, others were sceptical. Now I could go back to them and be proud of our achievement."

Within a month the road had been repaired. The community contributed almost \$1,500 in cash and over \$5,000 in-kind (mainly transporting materials) and almost \$20,000 was advanced by BP and its co-venturers. Over 2,000 people have since benefited in various ways. The local school, for example, has reported a 14% increase in pupils' attendance as the improved road made access easier.

Sustainable environmental and economic livelihoods programme (SEEL)

SEEL was completed in July, 2009. It took place in the villages of Eyvazlilar, Mashadi Garalar and Jinli Bolusli in Goranboy district and was supervised by the Ganja Agro Business Association (GABA). During the project a fodder processing facility was set up, a drip irrigation system installed, business training given to young people and 68 farmers provided with extension services. Four demonstration field days were held and attended by almost 100 farmers. The programme had a budget of \$191,000 of which \$25,313 was spent in 2009.

Expansion of economic opportunities and community skills development programme

This new project builds on earlier CP initiatives. It is managed by Umid HSSC and will run to April, 2011. The objective is to improve conditions for would-be entrepreneurs wishing to build sustainable businesses and to help unemployed young people find work in three districts along the BTC/SCP pipeline route. In 2009, activities included holding 17 meetings about apprenticeships. These were attended by 88 people from 15 rural communities. The programme has a budget of \$326,155 of which \$146,806 was spent in 2009.

Management of community micro projects

This project started early in 2009, and will last to July, 2010. It is being carried out by Umid HSSC and has a budget of \$1,285,267 of which \$883,463 was spent in 2009. The goal is to equip 39 communities from Agsu to Agstafa with the skills and resources necessary to stimulate positive sustainable change and socio-economic progress. Some 175 training sessions attended by 1,897 people were conducted during 2009, covering everything from leadership and team work to the preparation of contracts. With the knowledge gained, 23 micro-projects had been completed by the end of 2009 including the rehabilitation of 53.5 km of roads, the cleaning of 11.4 km of irrigation channels and the repair of 890 m² of roofs. Almost 33,000 people benefited.

Social spend in Azerbaijan, Georgia and Turkey in 2009

	Azerbaijan	Georgia	Turkey	Total
Gross spend (by BP and co-venturers)	\$3,398,652	\$4,430,470	\$4,820,553	\$12,649,676
Net spend (by BP only)	\$1,251,887	\$1,392,797	\$1,450,987	\$4,095,671

West communities programme (WCP)

Based on a partnership between Save the Children Foundation and UMID HSSC and an indirect link with two national NGOs – Bilik and the Young Enlighteners – WCP helped to fund 19 graduate/apprentices' projects during its existence. It began at the end of 2007 and was completed in August, 2009. Its budget was \$1,918,570.

As a spin-off from this programme, Save the Children Foundation worked with six communities during 2009 on a consolidated budget initiative. The objective was to attract the attention and involve government institutions and private business in co-funding community projects. Three villages from Yevlakh (Nematabad), Shemkir (Deller Dashbulag) and Goranboy (Eyvazlilar) districts drew up proposals on social issues. All three projects were subsequently supported by government and local business and implemented successfully.

Development of the Garadaghy community agricultural sector

Implemented by GABA, this one-year project began in November, 2009. It is designed to generate sustainable incomes for community members working in the agricultural sector including small landowners, farmers and providers of agro services. Training is given in such topics as soil improvement and livestock and crop cultivation as well as business management. Potential benefits include better fodder crops seeds and vegetable seeds. The programme has a budget of \$110,229 of which \$43,772.5 was spent in 2009.

Improving Agstafa Agro Service Centre (ASC) and surrounding communities

Managed by the Local Governance Assistance Public Union in partnership with Agstafa ASC in Agstafa area, this programme was launched to increase productivity and incomes through grassroot initiatives in 16 communities along the BTC/SCP pipeline route. It began in mid-2009 and will continue to February, 2011. In 2009, a needs assessment was conducted, several course programmes were developed and various necessary equipment and materials purchased. The project has a budget of \$129,273 of which \$51,755 was spent in 2009.

Developing Khatinli community

Implemented by GABA, this initiative supports efforts by the Khatinli community to raise its standard of living through the introduction of a range of agricultural improvements. These include the provision of new seeds and crops, new storage facilities and new technologies.

Since the project began 48 farmers have been selected and provided with barley seeds. Every farmer received enough seeds to sow 0.5 ha of land. One hundred kg of barley seeds for autumn sowing were given to each farmer in 2009 totalling 4800 kg. Each farmer was also provided with a leaflet containing information about the seed variety characteristics and cultivation technologies. The project will last for 18 months to December, 2010. The budget is \$225,663 of which \$112,818 was spent in 2009.

Baku corridor microfinance initiative

Centred on the Baku corridor, this is a microfinance project intended to offset some of the economic impact caused by the end of the construction phase of our major projects in Azerbaijan. It was managed by FINCA Azerbaijan and ended in the end of 2009. Slightly more than \$1 million was committed – \$423,000 by BP and its co-venturers, and \$600,000 by FINCA. At the end of 2009, the project had 1,255 active clients (60% women) and an outstanding portfolio of \$1,047,032. A very low percentage (0.47%) of the portfolio was considered at risk of default. Since the start of 2008, loans to a value of \$4,111,191 have been disbursed to 2,300 clients.

Employees' support to communities

Our employees are encouraged to undertake charitable activities. The BP Azerbaijan SPU supports them by matching their contributions via an employee matching fund (EMF) run by the BP group. A third-party administrator, Charities Aid Foundation, maintains and updates a list of eligible local organisations. In 2009, BP Azerbaijan SPU employees donated \$21,222 in gifts and money as part of EMF.

A related initiative, the employee engagement programme (EEP), encourages our employees to volunteer their time and talents through a time-matching scheme. In 2009, 155 employees made contributions and 1,552 hours were donated, equivalent to \$31,053 in matching BP funds. Orphanages, schools and universities in Azerbaijan benefited reflecting a decision in 2009 to focus EEP donations on projects related to education.



Cutting costs, raising output

Akif Mammadov, a small landowner who farms 2.8 hectares, is one of the individuals who benefited during 2009 from SEEL (see above) - the capacity building project undertaken in Eyvazlilar region by the Ganja Agro Business Association (GABA) with financial support from BP and its co-venturers.

Akif owns five heads of cattle, 22 sheep and 48 poultry (chickens and ducks). As part of the SEEL programme he took part in a training course on fodder crop production and animal feeding. Using the knowledge and skills he gained from this and other courses, he was able to achieve substantial improvements in his crop yields and animal husbandry. Prior to the SEEL project Akif harvested two tonnes of barley

from a 1.5 ha area and four tons of corn from a one hectare area. Afterwards, from only two hectares, he grew 2.3 tons of barley and 4.5 tons of corn – an overall yield increase of more than 13%.

The benefits did not end there. A new fodder processing facility was set up in the village as part of the project. Previously farmers like Akif Mammadov had to take their corn and barley to a neighbouring village about eight kilometres away to be processed, so wasting valuable time on travel and incurring extra costs. Once the new processing unit opened its doors Mr. Mammadov's travel time fell sharply and so did his overheads, resulting in a noticeable decrease in the net cost of his animal production.

Conservation of cultural heritage

Our collaboration with the Smithsonian Institution in Washington D.C. and the Azerbaijan Institute of Archaeology and Ethnography (IOAE) in Baku began to produce results in 2009.

Overview

In April, 2009, a new archaeology exhibition titled "Pipelines awaken ancient history" opened in Azerbaijan. Its central purpose was to highlight facts about the BTC and SCP pipelines and to display some of the rare objects discovered along the pipelines' route during construction. In particular, it introduced visitors to the lifestyle of some of the ancient people who lived on the territory of Azerbaijan.

This is a permanent exhibition supported by BP and its co-venturers. It is housed in the Caspian Energy Centre (CEC) and was developed by the designer and curator of the Smithsonian Institution in collaboration with Azerbaijan's Institute of Archaeology and Ethnography (IOAE). IOAE has kindly lent the exhibition ten artefacts discovered on the BTC/SCP route. Judging by the popular reaction, the exhibition, which includes an historical photo timeline, an animated video and an interactive touch screen game, has generated a lot of interest among visitors to the CEC.

Also during the year a team from the Smithsonian Institution continued to work on a book and a website dedicated to the archaeological findings discovered on the BTC/SCP route.



BTC excavations revealed secrets of the Bronze Age

Hasansu Kurgan on the BTC right of way in Agstafa region was identified as a potential archaeological site by a watching brief archaeologist during topsoil stripping in May, 2004. It was excavated in January, 2005. One of the discoveries was a 16th-17th centuries B.C. pot. White paint on the pot forms a striking pattern that symbolizes the sun. Ancient peoples considered the sun as a main source of prosperity and used its image in the decoration of house wares and jewelry. The pot's rich color, decoration, and absence of traces of fire on its bottom indicate that it was used to serve guests on special occasions. The artefact is 26cm wide and 24cm tall.

During the excavation works carried in 2003 at the Zayamchay necropolis in Shamkir region 130 graves were found, with discoveries dating between the 13th and 8th centuries BC. They are thought to belong to the Khodjali-Gedabey culture. The discoveries included pottery, weaponry, instruments of labour and adornments. One of the most interesting objects dug up in 2003 at the Zayamchay site was a bronze pendant. Also originating from the Bronze Age, the adornment has a diameter of 10.5 cm. Its design is related to astral belief and symbolizes the sun.

Educational initiatives

Our educational initiatives in Azerbaijan are designed to increase awareness of the energy industry, widen learning opportunities in technical fields and promote business training.

Milestones of 2009

In 2009, we sponsored a summer field course for undergraduate and graduate students in Baku. A memorandum of understanding (MoU) was signed with Qafqaz University. BP geosciences and engineering speaker series were conducted and our Caspian Energy Centre continued to host visitors.

BP summer students geology field course

In August, 2009, we sponsored a summer field course in sedimentology and structural geology for undergraduate and graduate students. The course, held in Baku, aimed to build Azerbaijan's academic capability and knowledge, help the next generation of geoscientists to develop their skills and enhance Azerbaijan's hydrocarbon industry capabilities. Thirteen students from the Oil Academy and other universities, selected by open competition, enjoyed a 12-day practical course. The course was led by Dr. Ken McCaffrey from Durham University, Dr. Elmira Aliyeva from the Geology Institute of Azerbaijan, and representatives of the National Academy of Sciences, SOCAR and BP.

Chemical engineering department at Qafqaz University

During the year, we signed an MoU with Qafqaz University to allow it to expand its curriculum to include undergraduate courses in chemical, petroleum, and mechanical engineering. The project will be implemented during 2009-2012 in three stages. Under the MoU, BP will provide funding for laboratories and related materials required to teach the three new disciplines.

BP geosciences and engineering speaker series

In November, 2009, we launched the geosciences and engineering speaker series to strengthen the interest of young people in Azerbaijan in geosciences and related disciplines. The project offers students, teachers and practitioners in geology, geophysics and engineering the opportunity to meet, talk and engage with scientists and experts. As part of the series BP hosted the first meeting at Azerbaijan State Oil Academy.

English language teacher training programme

Throughout 2009 we sponsored English language teacher training courses at Azerbaijan University of Languages (AUL). Experts from the UK conducted workshops for local English language teachers. Those trained at these workshops will subsequently transfer the skills and knowledge gained to other English language teachers at AUL.

Caspian Energy Centre (CEC)

The CEC continued to welcome visitors to its oil and gas exhibition in 2009. The displays tell the story of the Caspian hydrocarbon industry through the use of innovative and educational computer-based media and also inform visitors about BP-operated projects in Azerbaijan, Georgia, and Turkey. Much of the CEC's work is focused on the younger generation. During this year, CEC hosted 5,212 visitors of whom 53% (2,769) were adults and 47% (2,443) children.

Caspian Engineers Society (CES)

We continued to support CES. In 2009, its members were involved in several events in Azerbaijan including the International Junior Science Olympiads, the International Environmental Project Olympiads and preparations for the International Mendeleev Chemistry Olympiads in 2010. CES is a non-profit organisation, which helps to advance engineering in the Caspian region.

Community education

We and our co-venturers continued to invest in two programmes run by Junior Achievement Azerbaijan (JAA). Both are designed to widen rural access to business and economic education.

In 2009, JAA started the second phase of the community economics and



Inspirational learning

Since many university science and engineering courses focus on theoretical knowledge, students often develop a natural 'thirst' for a more hands-on approach. This curiosity also provides an opportunity for young people to network with industry professionals and role models and ask them questions regarding the 'real' world of business.

As part of the 2009 speaker series programme, the president of BP Azerbaijan SPU, Dr. Rashid Javanshir, delivered

a lecture at Azerbaijan State Oil Academy. Walking into a regular classroom Rashid had mixed feelings. He graduated from this university in 1972. Now he was back as a professor and the first Azerbaijani-born president of the BP Azerbaijan SPU. "It has been a long time since I stopped teaching," he said addressing a large but respectfully quiet audience. "So excuse my nervousness as I am indeed excited to be at my alma mater."

This was no ordinary lecture, however. BP in Azerbaijan was launching its geosciences and engineering speaker series - a project designed to nurture generations of Azerbaijani engineers and geoscientists. In the words of Greg Riley, BP in Azerbaijan exploration manager: "Through this initiative our geoscientists, geophysicists and discipline engineers will supplement the company's other efforts to develop engineering capability in Azerbaijan. Our expertise will be made available to future generations of engineers and we hope we will be able to motivate and inspire today's students to succeed in the business."

business education project (CEBEP II). Activities concentrated on enhancing the business capacity of five municipalities, basic training in economics and entrepreneurship. A new component was introduced to help less advanced students to prepare for university admission exams. About 120 students benefited from these free courses.

In June, 2009, JAA completed the school economics and education programme on behalf of BP and its co-venturers. This project was launched in 2007 and was focused on 15 communities in the Baku corridor area including Garadagh, Sabayil and Khatai. Training was given to secondary school students, their teachers, apprentices and other interested community members. About 3,500 economics textbooks were distributed. In all eight schools, 27 teachers, 3,470 students and 170 apprentices benefited.

Azerbaijani oil and gas scholarship programme

This programme funded by BP and co-venturers enables Azerbaijani students to pursue undergraduate and post-graduate

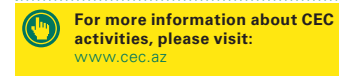
studies in engineering and geosciences at universities in the US, the UK, Turkey, Russia and Azerbaijan. Seven MSc students and 86 BSc students were supported in 2009. Twenty seven students graduated from universities within the programme in 2009. We and our co-venturers also continued to award scholarships to Azerbaijani students wishing to pursue advanced study in engineering disciplines. In 2009, three scholarships were given for undergraduate study in Baku and 22 for undergraduate and post-graduate study in Turkey and elsewhere.

Media training

Positive feedback was received during the year from the Azerbaijan Social Review Commission about the BP-funded business journalism training programme. The second phase of this programme was launched by Thomson Foundation in 2009. Six leading Azerbaijani business journalists were selected by the Foundation to be trained as trainers. An agreement was reached with a local university for these journalists to share their knowledge with students and with their own less experienced colleagues.

Azerbaijani national scholarship students, 2009

Country of University	Drilling & completions	Engineering	Reservoir & wells
Azerbaijan	16	2	0
Turkey	23	35	3
Other countries	0	1	3
Total 2009	39	38	6



Five-year performance data^a

For the year ended 31 December

	2005	2006	2007	2008	2009
Operating					
Total hydrocarbons produced (thousand barrels of oil equivalent (mboe) ^b per day)	261.0	472.0	668.1	688.7	817.9
Financial^c					
OPEX – total spend, gross (\$thousand)	213,983	254,000	615,000	1,154,000	1,174,000
CAPEX – total spend, gross (\$thousand)	5,160,705	4,437,000	3,404,000	2,659,000	1,443,000
Safety^d					
Fatalities – employees	0	0	0	0	0
Fatalities – contractors	2	1	0	0	1
Days away from work cases (DAFWC) – workforce	3	5	5	3	0
Days away from work case frequency (DAFWCF) – workforce	0.01	0.03	0.04	0.02	0
Recordable injuries (RI) – workforce	73	39	41	49	24
Recordable injury frequency (RIF) – workforce	0.33	0.25	0.31	0.36	0.21
Hours worked – employees (million hours) ^e	3.85	5.73	11.53	6.09	5.87
Hours worked – contractors (million hours) ^f	40.24	25.45	14.76	21.12	17.26
Environment					
Direct carbon dioxide (CO ₂), gross ^g (kilo tonnes)	1,649.2	1,686.5	1,980.1	3,667.7	3,827.1
Indirect carbon dioxide (CO ₂), gross (kilo tonnes)	0.5	0.4	0.3	0.5	0.4
Direct methane (CH ₄), gross (kilo tonnes)	6.7	5.7	9.4	20.8	15.6
Direct greenhouse gas (GHG) emissions ^h , gross (thousand tonnes CO ₂ equivalent)	1,789.5	1,806.5	2,176.2	4,113.9	4,155.4
Flaring (exploration and production), gross ⁱ (tonnes)	448,279	332,641	280,774	841,856	574,922
Sulphur dioxide (SO _x) ^j , gross (tonnes)	814	237	795	3,034	2,842
Nitrogen oxides (NO _x) ^j , gross (tonnes)	3,538	3,711	3,786	7,243	8,412
Non-methane hydrocarbon, gross (tonnes)	3,229	7,562	3,014	4,965	2,816^k
Number of hydrocarbons spills ^l	54	41	71	44	45
Volume of hydrocarbons spilled (litres)	24,410	8,396	4,534	6,198	4,741
Volume of hydrocarbons unrecovered (litres)	1,024	1,100	1,192	699	1,113
Discharges to water – drill cuttings with synthetic-based mud (SBM) (tonnes)	3,315	1,563	6,811	808	890
Employees					
Number of permanent employees of BP in Azerbaijan	1,741	2,048	2,199	2,201	2,328
Social spend					
Total for BP Azerbaijan SPU and co-venturers, gross (\$ million)	25.45	17.12	16.10	13.9	12.6^m

a Unless otherwise stated, performance data relates to BP in Azerbaijan only.

b Calculation is now based on production of thousand barrels of oil equivalent (mboe) per day. It includes ACG oil and associated gas delivered to SOCAR, SD gas and condensate.

c BP Azerbaijan SPU and its coventurers.

d Cumulative data for BP Azerbaijan SPU.

e Hours worked by employees – are identified as hours worked by individuals who have a contract of employment with BP Azerbaijan SPU; this definition is consistent with BP's group definition.

f Hours worked by contractors – are identified as hours worked by contractors under the sphere of our control; this definition is consistent with BP's group definition.

g Gross numbers represents total of all partners participating interest in PSA. Net numbers represents BP's participating interest in Production Sharing Agreements (PSA).

h Direct GHG emissions are the physical emissions from operations. Indirect GHG emissions are a consequence of the import by operations of steam, electricity and heat from third-party sources.

i In previous Sustainability Reports (2006 to 2008) flaring figures were erroneously reported as net when they were gross.

j As of 3Q 2007, the methodology for calculating SO_x and NO_x emissions changed.

They are now calculated using new emission factors that reflect usage of actual field data rather than guideline assumptions.

k The main contributor to decrease of NMHC emissions is Central Azeri platform, due to decreased flaring in 2009 in comparison with 2008.

l For the purposes of this report, hydrocarbon spills are defined as those consisting solely of rude oil, lube oil, hydraulic oil, diesel or condensate.

m This is the cash out number; as in previous years BTC grant and BP pledge of Georgia are excluded.

EITI reported data 2004-2009^a

	2004		2005		2006		2007		2008		2009	
	January 1 - December 31		January 1 - December 31		January 1 - December 31		January 1 - December 31		January 1 - December 31		January 1 - December 31	

	Value		Volume		Value		Volume		Value		Volume		Value		Volume	
	min. US dollars	Oil mln boe	Gas (natural associated) nm ³	Oil mln boe	Gas (natural associated) nm ³	min. US dollars	Oil mln boe	Gas (natural associated) nm ³	Oil mln boe	Gas (natural associated) nm ³	min. US dollars	Oil mln boe	Gas (natural associated) nm ³	min. US dollars	Oil mln boe	Gas (natural associated) nm ³
1. Payments/allocations of foreign company to host government																
1a) Host Government's production entitlement in foreign company's Production Stream - in kind (SOFAZ)		2.29		4.89				6.498				10.360		33.448	51.283	65.743
Profit tax					472.032					799.735				264.887		
Signing bonuses and other bonuses										12.750				0.845		
Other payments, including:	3.95				4.212					0.000				0.025		1.372
a) transportation tariff (SOFAZ)	0.45									0.450				0.900		0.000
b) acreage fee (SOFAZ)																
2. Payments/allocations of foreign company to host state-owned company																
Other payments, including:	0.07				1.214					0.277				n/a ^e		n/a ^e
a) transportation tariff (SOCAR)									2,191,730, 873,711					2,295,332, 277,863		1,967,495, 330,355
b) associated gas ^d (SOCAR)																3,640,412, 267,955

^a 2003 data can be found on page 60 of the 2007 BP in Azerbaijan Sustainability Report.

^b The payment is for Shah Deniz (SD) gas.

^c The payment is for SD gas.

^d BP as the operator of AIOC, reports the total gross number for associated gas delivered to SOCAR, within BP's template.

^e Transportation tariffs for Northern Route export pipeline (NREP) are paid to SOCAR as to a commercial entity rather than to a representative of the government. In 2008 the operatorship of NREP was assumed by the State Oil Company of Azerbaijan Republic (SOCAR).

Independent assurance statement

This report has been substantiated by Ernst & Young, the BP group auditors. The primary purpose of the report substantiation process is to test that the assertions, claims and data set out in the text regarding BP's sustainability performance can be supported by evidence. This process is intended to give assurance about the report contents from an independent third party. Ernst & Young's scope of work and their conclusions are provided below.

Independent assurance statement to BP management

BP in Azerbaijan Sustainability Report 2009 (the Report) has been prepared by the management of BP in Azerbaijan, who are responsible for the collection and presentation of information within it. Our responsibility, in accordance with BP management's instructions, is to carry out a limited assurance engagement on the Report as outlined below, in order to provide conclusions on the claims, data and coverage of issues within it.

Our responsibility in performing our assurance activities is to the management of BP p.l.c. only and in accordance with the terms of reference agreed with them. We do not therefore accept or assume any responsibility for any other purpose or to any other person or organization. Any reliance any such third party may place on the Report is entirely at its own risk.

What we did to form our conclusions

Our assurance engagement has been planned and performed in accordance with the International Federation of Accountants' ISAE3000^a.

The Report has been evaluated against the following criteria:

- Whether the Report covers the key sustainability issues relevant to BP in Azerbaijan in 2009 which were raised in the media, BP in Azerbaijan's own review of material sustainability issues, and selected internal documentation.
- Whether sustainability claims made in the Report are consistent with the explanation and evidence provided by relevant BP managers.
- Whether the sustainability data presented in the Report are consistent with the relevant business unit level data records.

In order to form our conclusions we undertook the steps outlined below.

1. Reviewed a selection of external media reports and internal documents relating to the sustainability performance of BP in Azerbaijan in 2009, including environmental monitoring reports, employee survey results, outputs from stakeholder engagement and ethics certificate.
2. Reviewed the outcome of BP in Azerbaijan's own processes for determining the key issues to be included in the Report.
3. Reviewed information or explanation about the Report's sustainability performance data and statements. Whilst we reviewed documentation to support the sustainability data contained within the Report, we did not test the data processes for gathering, collating and reporting data at country or site level.

Level of assurance

Our evidence gathering procedures have been designed to obtain a limited level of assurance on which to base our conclusions. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

Our conclusions

On the basis of our review and in accordance with the terms of reference for our work we provide the following conclusions on the Report. Our conclusions should be read in conjunction with the above section on 'What we did to form our conclusions'.

1. Does the Report cover the key issues?
We are not aware of any key sustainability issues relevant to BP in Azerbaijan which were raised in the media or the outcome of BP in Azerbaijan's own materiality process that have been excluded from the Report.
2. Are the data and claims regarding BP in Azerbaijan's sustainability performance contained within the Report supported by evidence or explanation?
We are not aware of any misstatements in the assertions and data presented by BP management within the Report regarding BP in Azerbaijan's sustainability performance.

Our independence

As auditors to BP p.l.c., Ernst & Young are required to comply with the independence requirements set out in the Institute of Chartered Accountants in England & Wales (ICAEW) Guide to Professional Ethics. Ernst & Young's independence policies, which address and in certain places exceed the requirements of the ICAEW, apply to the firm, partners and professional staff. These policies prohibit any financial interests in our clients that would or might be seen to impair independence. Each year, partners and staff are required to confirm their compliance with the firm's policies.

We confirm annually to BP whether there have been any events including the provision of prohibited services that could impair our independence or objectivity. There were no such events or services in 2009.

 **ERNST & YOUNG**

Ernst & Young LLP
London
July 2010

^a International Federation of Accountants' International Standard for Assurance Engagements Other Than Audits or Reviews of Historical Financial Information (ISAE3000).

Glossary

ACG Azeri-Chirag-Deepwater Gunashli	DAFWC(f) Days away from work case frequency	HSE Health, safety and environment	NOx Nitrous oxides	SOCAR State Oil Company of Azerbaijan Republic	boepd barrels of oil equivalent per day
AIOC Azerbaijan International Operating Company	DC Drill cuttings	IASC Inter-agency security committee	OIM Offshore installation manager	SOFAZ State Oil Fund of Azerbaijan Republic	bpd barrels per day
ASRC Azerbaijan Social Review Commission	DPCU Dewpoint control unit	IT&S Information technologies and services	OMS Operating management system	SOx Sulphurous oxides	km kilometre
BOSS Behavioral observation safety system	DDGG Dada Gorgud	IEMP Integrated environmental monitoring programme	OSHA Occupational Health and Safety Administration	SOC Safety observation and conversation	kte kilo tonnes
BTC Baku-Tbilisi-Ceyhan	DWG Deepwater Gunashli	IM Integrity management	Ops Operations	SPU Strategic performance unit	kte/pa kilo tonnes per annum
C&WP Compressor & water injection platform	E&P Exploration and production	IPA Intermediate pigging station, Azerbaijan	p/d Per day	SR Sustainability report	mbd thousand barrels a day
CA Central Azeri	EA East Azeri	ISO International Organization for Standardization	PSA Production sharing agreement	ST Sangachal terminal	mboe thousand barrels of oil equivalent
CP Community programme	EDTP Enterprise development and training programme	ISSOW Integrated safe system of work	PSA Pump station in Azerbaijan	STEP Sangachal terminal expansion project	m metre
CLO Community liaison officer	EITI Extractive industries transparency initiative	ITD Indirect thermal desorption	PSCM Procurement & supply chain management	S&O Safety and operations	mbl million
CMAS Competency management assurance system	EOP Early Oil Project	MAR Major accident risk	RI Recordable injury	STU Sewage treatment units	mmbbl million barrels
COSHH Control of substances hazardous to health	ESIA Environmental and social impact assessment	MENR Ministry of Ecology and Natural Resources	RI (f) Recordable injury (frequency)	TVAR Total vehicle accident rate	mmscm/d million standard cubic metres per day
CTTC Caspian technical training centre	ESAP Environmental and social action plan	MoED Ministry of Economic Development	R&M Refining and marketing	WA West Azeri	mmtpa million tonnes per annum
CWAA Central waste accumulation area	Ge Georgia	N/A Not applicable	SBM Synthetic based mud	WBM Water based mud	MWh Mega watt per hour
D&C Drilling & completions	GHG Greenhouse gas	NGL Natural gas liquid(s)	SCP South Caucasus pipeline	WREP Western route export pipeline	nbcm normal billion cubic metres
DAFWC Day away from work case	HGA Host government agreement	NGO Non-governmental organisation	SD Shah Deniz		sbcm standard billion cubic metres
	HiPO High potential incident		SMEs Small and medium sized enterprises		tcf trillion cubic feet
	HR Human resources				te tonnes
					te/mboe tonnes per million barrels of oil equivalent
					“ inches
					bcma billion cubic metres per day

Units

\$
US dollar

bbl
barrels

bcma
billion cubic metres per day

Report process and feedback



Ayla Azizova,
Transparency & public
reporting team leader

By publishing this report BP aims to provide a transparent account of its activities in Azerbaijan in 2009. Feedback from previous reports is also included.

Overview

This is the seventh Sustainability Report produced by BP in Azerbaijan. It describes our activities in the country during the calendar year 2009.

External assurance has been provided by the BP group auditors, Ernst & Young. Their job is to provide assurance to BP management that the data, statements and assertions made regarding the sustainability performance of BP in Azerbaijan are supported by evidence or explanation and that the report provides a balanced representation of our activities in Azerbaijan.

Feedback

The 2008 BP in Azerbaijan Sustainability Report generated a largely positive reaction in Azerbaijan. More than 200 individuals including students and media representatives participated in four feedback sessions. In addition we received reactions from government representatives and other external parties.

Students from Qafqaz University, State Oil Academy, Economic University and Khazar University took part in the feedback sessions. As in previous years, these participants were most interested in recruitment-related issues and BP scholarships. Oil revenues, the use of new technologies in the Caspian by BP in Azerbaijan and alternative/renewable energy data were also raised.

Media response was mostly positive and the 2008 report was regarded as being as comprehensive and informative as the one from 2007. There were some suggestions for improvement of the content, in particular regarding more detailed reporting of production data such as showing gas numbers in five year performance data tables.

Government feedback included the suggestion that we disclose HSE data on stuck radioactive sources. There were also suggestions that the report should include detail on the major principles underlying the SPU's contractor selection process.

Civil society feedback was limited, mirroring a trend noticed in 2008. Inquiries indicated that this might reflect the amount of information about BP and its co-venturers in Azerbaijan already available to NGOs.

Our response to stakeholders' feedback

As a result of the responses we received about the 2008 report we adjusted our plans for the 2009 report by taking steps to widen its distribution.

We have continued our practice of disclosing information about our tax payments to the government of Azerbaijan, our local spend, initiatives to enhance revenue transparency in Azerbaijan, our recruitment practices and our safety and environmental performance.

In response to the feedback received last year, in this report we have disclosed additional information on how to get a contract with BP in Azerbaijan and the main principles of the subcontractors' selection process used by BP in Azerbaijan. We have also provided additional information on HSE-related issues which might be associated with the possible environmental impact of our operations.

As stated in the 2008 report, for ethical and privacy reasons it is BP group policy not to disclose payments to individual employees or contractors. Nor are we prepared to reveal market-sensitive information. An aggregated account of the BP group's revenues and expenditures worldwide can be read in the company's 2009 annual report.

Should you have any feedback or reaction to this report, we would like to hear from you. Please get in touch using the contact details printed on the last page.



For more detail about BP's approach to sustainability reporting access:
www.bp.com/sustainability



For general information on the subject go to:
www.accountability.org.uk or
www.globalreporting.org



The aggregated report on the BP group's revenues and expenditures is available at:
<http://www.bp.com/annualreview>

How to...

...visit the CEC

Visits to CEC are pre-arranged and therefore a bus service is provided to the invited visitors. Schoolchildren's visits are arranged and accompanied by their parents or teachers. CEC is located 55 km from the centre of Baku, at Sangachal oil and gas terminal, near the Salyan highway. Visits are free of charge and take place from Monday to Saturday between 10:00 and 16:00.

Phone: (+994 12) 447 17 19;
(+994 12) 447 17 32;
Fax: (+994 12) 447 53 40
E-mail: cec@bp.com
Website: www.cec.az

...apply for a community programme (CP) grant

For inquiries regarding grants for the Community programme please contact us at: cnp@bp.com

...get a contract

This is the Enterprise E-centre, a web portal that carries information on our development projects and gives guidance on how our procurement works.

E-mail: safarals@bp.com
Website: www.ecbaku.com

...apply for a job

Please visit www.bp.com/caspian/careers to learn more about technicians recruitment programme, graduate & intern recruitment programme and other BP vacancies.

Note: The graduate and intern recruitment campaign usually starts in February and is announced in the local media.

...raise a difficult issue

OpenTalk 24-hour phone numbers:

- Azerbaijan + (994 12) 497 98 88
- International Collect + (1 704) 540 2242

Fax: + (1 704) 556 0732
E-mail: opentalk@myalertline.com
Letter: OpenTalk, 13950 Ballantyne Corporate Place, PMB 3767, Charlotte, NC28277, USA
Intranet: <http://baku.bpweb.bp.com/dep/ethics/opentalk/compliance.asp>
Further queries about OpenTalk should be referred to BP in Azerbaijan

...raise a grievance/concern, request information

To express your grievances/concerns/interest, please contact:

Garadagh, Absheron, Hajigabul, Agsu, Kurdamir
Phone (+994 50): 225 02 51/225 02 45
Ujar, Agdash, Yevlakh, Goranboy
Phone (+994 50) 225 02 57/225 02 54
Samukh, Shamkir, Tovuz, Agstafa
Phone (+994 50) 225 01 75/225 02 60
Project Information Centres' numbers:
Kurdamir (+994 145) 6-64-08; Yevlakh - (166) 6-58-84
Tovuz (231) 5-50-99
<http://www.bp.com/caspian/contactus>

For security-related grievances and concerns please call 114.

Further information

Contact us

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Transparency and public
reporting team leader

Tamam Bayatly
Communications manager

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Baku, Azerbaijan.

To leave your feedback or to
ask questions, call the
communications and external affairs
department at (+99412) 497 90 00



Online feedback may be
sent through:
<http://www.bp.com/caspian/sr>

Significant information about
BP's energy projects in the
Caspian/Caucasus region is
available online. The main
sites are:

www.bp.com/caspian

This is the main information source about
our Caspian region energy projects.
It includes project details, news items,
ESIAs, legal agreements (including PSAs,
HGAs and IGAs) which govern the projects,
lenders' reports, NGO monitoring reports
and BP's responses, CDAP and ASRC letter
of recommendations and our responses,
earlier BP in Azerbaijan Sustainability
Reports and other documents. The site is
multi-lingual and is updated regularly.

www.bp.com

This site contains information about the
BP group including detail of its policies
and values, reports on its activities and
operations in the Caspian and Caucasus
regions and the group's Sustainability
reports.

www.ecbaku.com

Enterprise e-centre, a web portal that
contains information on our development
projects and gives guidance on how our
procurement works in Azerbaijan.

