PRESS RELEASE
17 December 2013

SHAH DENIZ FINAL INVESTMENT DECISION PAVES WAY FOR SOUTHERN CORRIDOR GAS LINK WITH EUROPE

The Shah Deniz consortium today announced the final investment decision (FID) for the Stage 2 development of the Shah Deniz gas field in the Caspian Sea, offshore Azerbaijan. This decision triggers plans to expand the South Caucasus Pipeline through Azerbaijan and Georgia, to construct the Trans Anatolian Gas Pipeline (TANAP) across Turkey and to construct the Trans Adriatic Pipeline (TAP) across Greece, Albania and into Italy. Together these projects, as well as gas transmission infrastructure to Bulgaria, will create a new Southern Gas Corridor to Europe.

The Shah Deniz project entails several elements: offshore it includes drilling and completion of 26 subsea wells and construction of two bridge-linked platforms; onshore there will be new processing and compression facilities at Sangachal.

The total cost of the Shah Deniz Stage 2 and South Caucasus Pipeline (SCP) expansion projects will be around $28bn. 16 billion cubic metres per year (bcm) of gas produced from the giant Shah Deniz field will be carried some 3,500 kilometres to provide energy for millions of consumers in Georgia, Turkey, Greece, Bulgaria and Italy. First gas is targeted for late 2018, with sales to Georgia and Turkey; first deliveries to Europe will follow approximately a year later.

Condensate production from the Shah Deniz field is expected increase to 120,000 barrels per day, from current levels of about 55,000 barrels per day.

In the shorter term, the Shah Deniz partners have agreed terms with SOCAR for expanding production through the existing facilities by 1.4bcm. The production increase is already in progress and is expected to be complete by the end of 2014.

SOCAR and the Shah Deniz partners have also agreed terms for extending the Shah Deniz Production Sharing Agreement up to 2048. The Shah Deniz partners have agreed to undertake exploration and appraisal work on prospects within the PSA area.

The official signing of the Shah Deniz Stage 2 FID took place today in a ceremony at the Heydar Aliyev Centre in Baku. It was witnessed by H.E. President Ilham Aliyev of the Republic of Azerbaijan who was joined by leaders from nations along the Southern Corridor, as well as from the European Commission and other countries.
Rovnag Abdullayev, President of SOCAR, said: “This is a truly historic day for Azerbaijan. This is the first time that our country and this region has embarked upon such an ambitious gas project. This project paves the way for Azerbaijan’s future and the region’s future. Firstly, it enables us to unlock Azerbaijan’s giant gas resources for the benefit of our nation. Secondly, it establishes Azerbaijan as an important energy supplier to Europe, fulfilling a vision we have had for so many years. Thirdly, it brings benefits to countries stretching from the Caspian Sea to the heart of Europe through creating a direct transportation link between the Caspian and the European gas markets.”

Bob Dudley, Group Chief Executive of BP, the operator of the Shah Deniz Stage 2 and SCP expansion project, said: “Very few projects have the ability to change the energy map of an entire region. Shah Deniz 2 and the Southern Corridor pipelines will not only change the energy map, but will give customers in Europe direct access to the gas resources of Azerbaijan for the first time. The final investment decision today would not have been possible without years of cooperation between many companies and many countries. I am proud that BP can be part of this historic moment, and grateful for the efforts of so many people in making this possible. As well as creating tens of thousands of jobs along the route of the pipelines in Azerbaijan, Georgia, Turkey and Europe, this project represents the largest ever foreign investment to Azerbaijan.”

“I am particularly pleased that we have agreed terms for extending the Shah Deniz Production Sharing Agreement up to 2048. This enables BP and our partners to work in partnership with Azerbaijan in appraising future stages of Shah Deniz. BP’s discovery of the new Shah Deniz Deep field in 2007 demonstrates the potential in this area beyond Shah Deniz Stage 2,” he added.

Today’s decision means that gas sales contracts with nine European companies will now come into effect. As a result some 10 bcm of Shah Deniz gas are expected to be delivered for 25 years to customers in Italy, Greece and Bulgaria. In addition, some 6 bcm of Shah Deniz Stage 2 gas will be delivered to consumers in Turkey. All gas sales and transportation contracts will be managed by the Azerbaijan Gas Supply Company established by Shah Deniz co-ventures under the operatorship of SOCAR. The Shah Deniz Stage 2 development and Southern Corridor pipeline projects together represent one of the largest and most complex endeavours yet undertaken by the global oil and gas industry.

The Shah Deniz field was discovered in 1999. Azerbaijan has been exporting gas to Georgia and Turkey since 2006 from the Shah Deniz stage 1 development.

Coincident with the FID, SOCAR purchased 6.7 per cent equity in Shah Deniz and the South Caucasus Pipeline from Statoil, and BP purchased 3.3 per cent equity in Shah Deniz and the South Caucasus Pipeline from Statoil. Both of these transactions are subject to conditions that are expected to be satisfied in 2014.

Notes to Editors
The Shah Deniz co-venturers are (after acquisitions): BP, operator (28.8 per cent), SOCAR (16.7 per cent), Statoil (15.5 per cent), Total (10 per cent), Lukoil (10 per cent), NICO (10 per cent) and TPAO (9 per cent). These percentages include the above-described purchases of equity from Statoil by BP and SOCAR, respectively, which are subject to conditions that are expected to be satisfied in 2014 for completion of the transactions.

The Tanap partners are expected to be: SOCAR, operator (68 percent), BOTAS (20 percent) and BP (12 percent) following the purchase of Tanap interests by BOTAS and BP that are expected to be completed in 2014.

The TAP partners are: SOCAR (20 percent), BP (20 percent), Statoil (20%), Fluxys (16%), Total (10%), E.ON (9%) and Axpo (5%).

For further information please contact:
Tamam Bayatly, BP Baku Press Office, telephone: (+994 12) 599 45 57;
Nizameddin Guliyev, SOCAR Press Office, telephone: (+994 12) 521 01 29;
BP Group Press Office in London, telephone: (+44) 207 496 4076.