

Protocol
on
The Borjomi Security Plan,
Status of Continuing ESIA Activities and
Equipment and Security Funding

THIS PROTOCOL (“Protocol”) is entered into on this 10th day of October 2004 by and between:

The Baku-Tbilisi-Ceyhan Pipeline Company (“BTC Co.”);

and

The Government of Georgia, (the “Government”);

each a “Party”, and together the “Parties.”

WHEREAS BTC Co. and the Government agreed that BTC Co. would undertake certain activities under the Continuing Activities Under the Environmental Permit for the BTC ESIA, dated 30 November 2002 (the “ESIA Continuing Activities”);

WHEREAS pursuant to the Environmental Permit, BTC Co. has conducted the studies and the activities set out in the ESIA Continuing Activities and has provided information to the Government on the results of those studies and activities;

WHEREAS the Parties have committed that the implementation of security for the Baku Tbilisi Ceyhan Project (the “Project”), including the integrated operations security plan for the Borjomi zone pursuant to Article 9j of the ESIA Continuing Activities, will be consistent with leading international human rights standards and the specific human rights and security undertakings of the Government of Georgia. Specifically, the Government has entered into a Government Security Protocol with the Azerbaijan Republic and the Republic of Turkey (the “Government Security Protocol”); the Government, the Azerbaijan Republic and the Republic of Turkey have issued a Joint Statement with BTC Co. that contains commitments relating to security; and the Government and the operator for the BTC Project will enter into a Security Protocol in relation to the coordination of security activities between them (the “Security Protocol”). These agreements include commitments that all security for the Project will be provided in a manner consistent with the principles included in the Universal Declaration of Human Rights, the United Nations Code of Conduct for Law Enforcement Officials, the United Nations Basic Principles on the use of Force and Firearms by Law Enforcement Officials and the Voluntary Principles on Security and Human Rights (together, the “Security Principles”);

WHEREAS, in order to help offset the Government’s costs associated with the implementation of the integrated operations security plan for the Borjomi zone, BTC Co has offered to provide certain non-lethal and non dual-use equipment and facilities, and operations and maintenance funding in respect thereof in a manner

consistent with leading human rights standards on the terms set forth in an Equipment and Funding Agreement consistent with the Security Principles; and

WHEREAS the Parties now wish to record their agreement on the status of the ESIA Continuing Activities and agree the way forward with respect to the integrated operations security plan for the Borjomi zone, the Equipment and Funding Agreement, and the Security Protocol.

NOW THEREFORE, in consideration of the foregoing, the Parties hereby agree as follows:

Article 1

Borjomi Security Plan

1.1 BTC Co will provide an integrated operations security plan for the Borjomi Zone to the Government of Georgia by 15 October 2004 ("Borjomi Security Plan") which in BTC Co's opinion satisfies the conditions contained in the ESIA Continuing Activities in all respects and shall constitute the basis for the Government security planning for the Borjomi region.

Article 2

ESIA Permit Activities

2.1 In respect of the ESIA Continuing Activities for the Borjomi Zone, the Government has requested and BTC Co. now hereby testifies in good faith that:

(a) it has applied Best Available Technology, Best Practice and multiple lines of protection and redundancy in design, construction, and operation and achieves as close to "zero risk" as possible; and

(b) it is implementing additional design and operational measures to secure the integrity of the pipeline in the event of third party intervention in a manner which allows sufficient time for information to reach the project operations staff and State security services and enables access to the Borjomi zone and is based upon risks associated which are foreseeable under the prevailing conditions, including risks associated with attempts to tap the pipeline, acts of vandalism, and attempts to disrupt the project by small organised groups.

2.2 The Government, having reviewed BTC Co's work to complete the ESIA Continuing Activities, including all information and documentation provided by BTC Co in relation to the ESIA Continuing Activities, now hereby confirms to and agrees with BTC Co that BTC Co. has fulfilled all of its obligations and met all of its commitments under the ESIA Continuing Activities, including without limitation Activities 9(a) through (j) of the ESIA Continuing Activities, with no requirements for further actions, studies, assessments or activities, with the exception of (1) Government review of BTC Co's proposed temporary or permanent right of way drainage construction methodologies and other right of way stabilization construction methodologies in the Borjomi zone; (2) Government review of BTC Co's proposed secondary oil spill containment systems aimed at surface water protection including

any temporary secondary oil spill containment in the Borjomi zone during initial startup and (3) the specific ongoing monitoring commitments as set out in the ESIA Continuing Activities, which items (1), (2), and (3) shall be subject to approval by the Ministry of the Environment.

2.3 BTC Co shall cooperate in every respect with the Government's ongoing environmental monitoring of the BTC Project for matters in relation to the HGA and outside the ESIA Continuing Activities.

Article 3

Equipment and Funding Agreement

Security Protocol

3.1 In conjunction with BTC Co's commitments under the ESIA Continuing Activities by 15 October 2004, the Parties shall execute in respect of the Borjomi Security Plan an Equipment and Funding Agreement which shall provide *inter alia*, the following terms:

- (a) BTC Co. shall provide (1) certain non-lethal and non dual-use Project security equipment and facilities with an aggregate value of US SIX MILLION DOLLARS (\$6,000,000.) and (2) ongoing operations and maintenance funding of US ONE MILLION DOLLARS (\$1,000,000.) per annum in each of the years 2005 through 2010 inclusive; and (3) commencing in 2011 for the life of the Project, US ONE MILLION DOLLARS (\$1,000,000.) per annum to be escalated annually in accordance with US CPI with the base year of 2010, in a manner at all times consistent with the Security Principles as specified in the Equipment and Funding Agreement and the Security Protocol; and
- (b) The Equipment and Funding Agreement will be implemented in a manner consistent with the principles of transparency and accountability. The Government will provide detailed reports every three months on the use of the equipment, facilities, and operations and maintenance funding provided, and BTC Co will be entitled to monitor compliance through third parties including rights of audit.

3.2 As a condition precedent to the obligations of BTC Co. under the Equipment and Funding Agreement, the Government will execute a Security Protocol with the BTC Operator substantially in the form previously provided to the Government by hand-delivery on 4 October 2004.

Article 4

Other Provisions

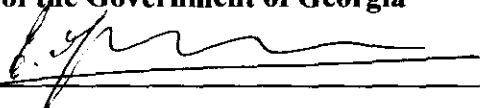
4.1 This Protocol does not amend, modify, waive or affect in any respect the BTC Host Government Agreement ("HGA") or any other Project Agreement entered into pursuant thereto.

4.2 This Protocol is executed in multiple counterparts in the English and Georgian languages. In the event of any conflicting interpretations of any provisions of this Protocol or any notices hereunder as between the language counterparts, the English language counterpart shall prevail.

4.3 This Protocol shall terminate and be of no further force and effect on the earlier of the Execution of the Equipment and Funding Agreement or 15 October 2004.

This Protocol is executed in the City of Tbilisi, Georgia on the date first above written.

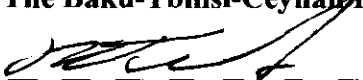
On behalf of the Government of Georgia



Name: ZURAB ZHVANIA

Title: PRIME MINISTER

On behalf of The Baku-Tbilisi-Ceyhan Pipeline Company



Name: MICHAEL E. TOWNSEND

Title: CHIEF EXECUTIVE OFFICER