

This business update is a joint press release issued by BP Exploration (Caspian Sea) Limited, in its capacity as operator of the Azeri-Chirag-Gunashli (ACG) field, as manager of the Baku-Tbilisi-Ceyhan (BTC) pipeline and as common operator of the BTC pipeline and the South Caucasus Pipeline (SCP), and by BP Exploration (Shah Deniz) Limited in its capacity as operator of the Shah Deniz field, with each of these entities providing information relevant to its project and making any statements applicable to its project.



## BUSINESS UPDATE

### First half 2022 results

4 August 2022

#### Azeri-Chirag-Deepwater Gunashli (ACG)

ACG participating interests are: bp (30.37%), SOCAR (25.0%), MOL (9.57%), INPEX (9.31%), Equinor (7.27%), ExxonMobil (6.79%), TPAO (5.73%), ITOCHU (3.65%), ONGCVidesh (2.31%).

BP Exploration (Caspian Sea) Limited is the operator on behalf of the Contractor Parties to the ACG Production Sharing Agreement.

In the first half of 2022, we spent about \$229 million in operating expenditure and \$791 million in capital expenditure on ACG activities.

During the first half of the year, the Azeri Central East (ACE) project progressed according to the plan along with the other bp-operated activities.

The ACE topsides and drilling facilities fabrication activities continued at the fabrication yard in Bibi-Heybat. The drilling facilities lifting onto the topsides unit was safely and efficiently completed. The 2,350 tonnes modular drilling support module (MDSM) and 2,400 tonnes drilling equipment set (DES) were first transported by self-propelled modular trailers to the jacking position, then were jacked up by incrementally installing

steel cassettes to reach the final height of around 27 metres and then they were skidded onto the topsides deck. This was a carefully planned complex “Jack and Skid” operation and a first for bp in the Caspian. Integration of the drilling facilities on the topsides deck is currently ongoing.

Another completed ACE activity is the topsides north and south cranes, which were safely installed along with the gas injection compressor exhaust.

The topsides pipe erection and hydrotesting progressed as planned. The topsides and drilling mechanical completion handovers continued, commissioning works on the main power generation, chemical injection and sewage treatment packages commenced. The living quarters mechanical completion and handover progressed.

At the Heydar Aliyev Baku Deepwater Jackets factory (BDJF), the jacket fabrication is completed with preparation activities for load-out still ongoing.

The ACE subsea diving campaign continued with the support of the subsea construction vessel Khankendi. ACE gas subsea pipeline tie-ins to the existing infield pipeline were completed during the East Azeri turnaround (TAR) programme in June.

All ACE related works on the Central Azeri and East Azeri platforms to support the gas pipeline tie-ins were also completed with overall all ACE scope successfully executed during the East Azeri TAR.

The modification construction works for the ACE operations control from the shore are in progress at the Sangachal terminal.

At the end of the second quarter of 2022, the ACE project reached the 75% progress milestone. The project construction activities continue at peak and involve about 5,000 people across Baku, Europe and the UK, with the majority of them being Azerbaijani nationals.

All engineering, procurement and fabrication works remain on track to support first production from the ACE project in 2023.

## **Production**

During the first half of 2022, ACG continued to safely and reliably deliver stable production. Total ACG production for the quarter was on average about 424,000 barrels per day (b/d) (about 77 million barrels or 10 million tonnes in total) from the Chirag (25,000 b/d), Central Azeri (108,000 b/d), West Azeri (109,000 b/d), East Azeri (62,000 b/d), Deepwater Gunashli (78,000 b/d) and West Chirag (42,000 b/d) platforms.

At the end of the quarter, 136 oil wells were producing, while 37 were used for water and eight for gas injection.

As part of the ACG annual work programme, a planned maintenance programme (turnaround - TAR) was successfully implemented on the East Azeri platform in the second quarter.

In accordance with the plan, production from the East Azeri platform was suspended for about 15 days to enable maintenance, inspection and project work to be undertaken efficiently. The programme, which was designed to maintain the long-term ability of the platform to produce in a safe, reliable and environmentally sound way, was completed safely and on schedule.

The Chirag Gas Lift Project (CGLP) was also completed safely and within budget in the second quarter of 2022. The project has delivered important plant safety modifications helping manage any overpressure risk by removing reliance on human intervention and operational procedures. Throughout the year, the new Gas Lift distribution system will be introduced to the platform's candidate wells in line with its production schedule.

### **Drilling and completion**

In the first half of 2022, ACG completed eight oil producer wells.

### **Associated gas**

During the first half, ACG delivered an average of around 9 million cubic metres per day of ACG associated gas to the state of Azerbaijan (2 billion cubic metres in total), primarily at the Sangachal terminal but also to SOCAR's Oil Rocks facility. The remainder of the associated gas produced was re-injected for reservoir pressure maintenance.

### **Sangachal terminal**

In the first half of 2022, oil and gas from ACG and Shah Deniz continued to flow via subsea pipelines to the Sangachal terminal.

The daily capacity of the terminal's processing systems is currently 1.2 million barrels of crude oil and condensate, and about 81 million standard cubic metres of Shah Deniz gas, while overall processing and export capacity for gas, including ACG associated gas is around 100 million standard cubic metres per day.

During the first six months, the Sangachal terminal exported more than 114 million barrels of oil and condensate. This included about 107 million barrels through Baku-Tbilisi-

Ceyhan (BTC) and around 7 million barrels through the Western Route Export Pipeline (WREP).

Gas is exported via the South Caucasus Pipeline (SCP), the SCP expansion system and via Azerbaijan's pipelines connecting the terminal's gas processing facilities with Azerigas's national grid system.

On average, around 69 million standard cubic metres (about 2,440 million standard cubic feet) of Shah Deniz gas was sent from the terminal daily in the first half of the year.

### **Baku-Tbilisi-Ceyhan (BTC)**

**BTC Co. shareholders are: bp (30.1%), SOCAR (25.00%), MOL (8.90%), Equinor (8.71%), TPAO (6.53%), Eni (5.00%), TotalEnergies (5.00%), ITOCHU (3.40%), INPEX (2.50%), ExxonMobil (2.50%) and ONGCVidesh (2.36%).**

In the first half of 2022, BTC spent about \$49 million in operating expenditure and about \$9 million in capital expenditure.

On 23 March 2022, BTC reached a significant milestone by loading the 5000th tanker of oil transported from the Sangachal terminal near Baku across Azerbaijan, Georgia and Turkey to Ceyhan.

Since the 1,768 km BTC pipeline became operational in June 2006 till the end of the second quarter of 2022, it carried a total of 3.87 billion barrels (more than 516 million tonnes) of crude oil loaded on 5,087 tankers and sent to world markets.

In the first half, around 107 million barrels (more than 14.1 million tonnes) of BTC-exported crude oil was lifted at Ceyhan loaded on 148 tankers.

The BTC pipeline currently carries mainly ACG crude oil and Shah Deniz condensate from Azerbaijan. In addition, other volumes of Caspian regional crude oil and condensate continue to be transported via BTC.

### **Shah Deniz**

**Shah Deniz participating interests are: bp (operator – 29.99%), LUKOIL (19.99%), TPAO (19.00%), SOCAR (14.35%), NICO (10.00%) and SGC (6.67%).**

In the first half of 2022, Shah Deniz spent around \$1,260 million in operating expenditure and around \$186 million in capital expenditure, the majority of which was associated with the Shah Deniz 2 project.

## **Production**

During the quarter, the Shah Deniz field continued to provide deliveries of gas to markets in Azerbaijan (to Azerkontrakt), Georgia (to GOGC), Turkey (to BOTAS), to the BTC Company in multiple locations and to buyers in Europe.

In the first half of the year, the field produced about 13 billion standard cubic metres (bscm) of gas and more than 2 million tonnes (more than 18 million barrels) of condensate in total from the Shah Deniz Alpha and Shah Deniz Bravo platforms.

The existing Shah Deniz facilities' production capacity is currently about 70 million standard cubic metres of gas per day or more than 25 bcma.

## **The Shah Deniz 2 project**

In the first half of 2022, the Shah Deniz 2 project progressed safely towards the production start-up from the West South flank in the third quarter.

The subsea construction vessel Khankendi safely completed most of the subsea installation activities on the West South flank including the installation of subsea pipelines, production trees, manifolds and control umbilicals. The diving activities for pipeline tie-ins were also completed.

The West South flank start-up project also progressed with the topsides construction activities on the Shah Deniz Bravo platform. These activities are currently nearing completion. The pre-commissioning and testing activities for both topsides and subsea parts of the project are progressing on schedule. The best practices and experience from the start-up of the first deep water flank - East South - are being widely applied throughout the West South flank construction activities.

## **Drilling**

In the first half of 2022, the Shah Deniz Alpha platform rig conducted a set of well-work activities and then went back on warm stack.

The Istiglal and Maersk Explorer rigs have already drilled 21 wells in total and completed 19 out of those for the Shah Deniz 2 production and subsequent ramp-up. The completed wells include five wells on the North flank, four wells on the West flank, four wells on the East South flank, four wells on the West South flank and two wells on the East North

flank. One well on the West South flank and one well on the East North flank were drilled to the final depth and suspended.

### The South Caucasus Pipeline (SCP)

SCPC shareholders are: bp (29.99%), LUKOIL (19.99%), TPAO (19.00%), SOCAR (14.35%), NICO (10.00%) and SGC (6.67%).

In the first half of 2022, the SCP spent around \$29 million in operating expenditure and around \$2 million in capital expenditure in total.

The SCP has been operational since late 2006, transporting Shah Deniz gas to Azerbaijan, Georgia and Turkey. The expanded section of the pipeline commenced commercial deliveries to Turkey in June 2018 and to Europe in December 2020.

During the first half of 2022, the daily average export throughput of the SCP was 56.9 million cubic metres of gas per day.

### Exploration

On the Shafag-Asiman offshore block, the drilling of the first exploration well was completed in March 2021 with a total depth of 7,189 meters at the base of the Fasila unit. The well encountered gas condensate resource in some of the penetrated reservoirs. The post-well analysis of the data received during the drilling is currently ongoing and includes reprocessing of the original seismic data. This will be followed by interpretation of the results. This work is required to evaluate the hydrocarbon discovery and plan the next stage of exploration activities.

In the Shallow Water Absheron Peninsula (SWAP) structure, the third exploration well - QBDX01 - was safely plugged and permanently abandoned on 25 May 2022. The well, which was drilled in the Qarabatdag location within the South-East Prospective Area of the SWAP contract area, did not encounter any economic hydrocarbons. The previous two wells drilled in the North Khali (abandoned in December 2021) and Bibiheybat (abandoned in mid-March 2022) areas within the SWAP contract area had similar results. The QBDX01 exploration well represented the final phase of the planned activity within the SWAP exploration drilling programme. Upon completion of the drilling programme, the Satti jack-up rig was released from the SWAP project.

## People

At the end of the second quarter of 2022, the number of bp's employees in Georgia was 233.

99% of bp Georgia's professional staff are Georgian citizens.

bp will continue its efforts to optimize its learning and development programmes and will actively participate in public and private sector initiatives contributing to the development of the local talent market.

## Social Investment

The success of projects in the Caspian region depends, in part, on the operators' ability to create tangible benefits from these projects for the people of the region. To achieve this, bp and the co-venturers continue to implement major social investment projects, which include educational programmes, building skills and capabilities in local communities, improving access to social infrastructure in communities, supporting local enterprises through provision of access to finance and training, support for cultural legacy and sport, as well as technical assistance to public institutions.

In the first half of 2022, bp and the co-venturers in bp-operated joint ventures spent about 507,000 USD in Georgia on social investment projects.

Some of the examples of the social investment projects in Georgia are:

### **Community development Program (CDI)**

bp (on behalf of the co-venturers in the joint ventures that bp operates in Georgia) continued implementation of Community Development Initiative phase 7 (CDI 7) in 98 communities along BTC/SCP pipeline, with budget 1,670,000 USD; Program started in January 2022 and will be ended in January 2026.

The program is focused on building sustainable livelihoods and resilience for the communities along BTC/SCP pipelines routes by promoting social, economic and environmental development in order to maintain harmonious relationship between bp and communities. Program proposes to support target communities to rehabilitate 30 rural infrastructures, implement 20 innovative environmental projects, support development of 147 businesses, create at least 800 jobs. During the first half of 2022, the program launched informational campaign in all target communities and announced competition to support social infrastructure and business development initiatives.

### **Small business development program (SBDP)**

bp (on behalf of the co-venturers in the joint ventures that bp operates in Georgia) continued implementation of Small Business Development Project phase 4 (SBDP4) in 121 communities along WREP pipeline with budget 650,000 USD; Program started in January 2022 and will be ended in January 2026.

The program will be focused on social and economic development of the pipeline communities through establishing strong private sector for small start-up and medium size businesses, scaling up the existed enterprises as well as strengthening entrepreneurs' skills via education in business administration. Program is aimed to support 141 businesses via establishing 123 new businesses and support 18 existed businesses to scale up the activities. 150 self-employed jobs will be created.

To date, 46 business proposal were selected for farther funding. All of them signed the contact with the program.

### **A new life for Lagodekhi trails**

bp (on behalf of the co-venturers in the joint ventures that bp operates in Georgia) started implementation of the project 'New life for Lagodekhi Trails' to support sustainable use of natural resources, ecosystem preservation and ecological awareness/education.



Project budget is 25,000 USD. The project started in May 2022 and will be ended in December 2022.

The project is focused on supporting development of Lagodekhi Protected Areas through establishing new infrastructure and services as well as improving ecological education focusing on youth and children. 2 km area of natural trail will be extended, information spots on local flora and fauna as well as on environmental protection will be arranged, educational tours for youth and children will be organized, social media will be engaged to widely promote the ecosystem preservation activities.

### **English for media**

bp continued implementation of the project “English for media”.

The project goal is to help Georgian journalists to improve their English and journalism skills. The project is aimed to provide learning opportunities to 60 journalists working in media (TV, radio, print, online). Course started in January 2022; its duration is 9 months. During the first quarter of 2022, the project selected 60 journalists, 25 students joined the B1/ Intermediate level; 30 students joined B2/ Upper Intermediate level and finally, 5 joined C1/ Advanced level.

### **Partnership with the Paralympic committee**

bp in Georgia is an official partner of the Georgian Paralympic Committee since 2012. Our successful cooperation in support of the Paralympic sports will continue till 2024.