

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

### Full year 2021 results

10 February 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%), ONGC Videsh Limited (OVL) (2.31%).

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

In 2021, we spent about \$533 million in operating expenditure and \$1,660 million in capital expenditure on ACG activities.

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

The final major equipment packages were delivered to Baku at the end of the year completing the shipment of all equipment required for the project.

Fabrication activities on the topsides and drilling facilities continued at the fabrication yard in Bibi-Heybat. This included progressing the pipe erection and hydrotesting, cable pulling and testing. All modules of the living quarters were successfully installed on the topsides

followed by the commencement of integration and internal hook-up activities. In addition, the upper deck panel was installed on the topsides, the helideck was lifted and installed on the living quarters. The topsides and the drilling module mechanical completion handovers progressed as planned. The drilling module commissioning at grade has already commenced and will continue in 2022 ahead of the jack and skid operation.

At the Heydar Aliyev Baku Deepwater Jackets factory (BDJF), the jacket fabrication continued with the final roll-up of the leg frames completed and assembly of the jacket towers commenced. The pipelay barge 'Israfil Huseynov' started the pipelay of the ACE oil and gas lines.

The offshore installation works associated with the spare power scope on the East Azeri platform also progressed during the year.

At the end of the year, the ACE project reached the 65% progress milestone. The project construction activities are currently at peak and involve about 5,500 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 year, ACG continued to safely and reliably deliver stable production. Total ACG production for the full year was on average about 458,000 barrels per day (b/d) (about 167 million barrels or 23 million tonnes in total) from the Chirag (27,000 b/d), Central Azeri (109,000 b/d), West Azeri (116,000 b/d), East Azeri (76,000 b/d), Deepwater Gunashli (86,000 b/d) and West Chirag (44,000 b/d) platforms.

On 18 September 2021, the ACG field reached 4 billion barrels of total oil production since start.

As part of the ACG annual work programme, two planned maintenance programmes (turnaround - TAR) were successfully implemented on the ACG platforms in 2021 – on West Azeri in the second quarter and on Chirag in the third quarter.

At the end of 2021, 135 oil wells were producing, while 29 were used for water and eight for gas injection.

## Drilling and completion

In 2021, ACG completed 10 oil producer and four water injector wells.

## Associated gas

During the year, ACG delivered an average of around 9 million cubic metres per day of ACG associated gas to the state of Azerbaijan (3 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 2021, 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.

In 2021, the Sangachal terminal exported about 231 million barrels of oil and condensate. This included about 200 million barrels through Baku-Tbilisi-Ceyhan (BTC) and around 31 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 61 million standard cubic metres (about 2,166 million standard cubic feet) of Shah Deniz gas was sent from the terminal daily during the year of 2021.

## Baku-Tbilisi-Ceyhan (BTC)

The BTC Co. shareholders are: bp (30.1%); AzBTC (25.00%); MOL (8.90%); Equinor (8.71%); TPAO (6.53%); Eni (5.00%); Total Energies (5.00%), ITOCHU (3.40%); INPEX (2.50%), ExxonMobil (2.50%) and ONGC (BTC) Limited (2.36%).

In 2021, BTC spent more than \$119 million in operating expenditure and more than \$34 million in capital expenditure.

On 12 December 2021, BTC reached a significant milestone by achieving 500 million tonnes of oil export in total 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 2021, it carried a total of 3.77 billion barrels (more than 502 million tonnes) of crude oil loaded on 4,939 tankers and sent to world markets.

In 2021, around 200 million barrels (about 26.4 million tonnes) of BTC-exported crude oil was lifted at Ceyhan loaded on 280 tankers.

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

### Shah Deniz

Shah Deniz participating interests are: bp (operator – 28.83%), TPAO (19.0%), PETRONAS (15.5%), AzSD (10.0%), LUKOIL (10.0%), NICO (10.0%) and SGC Upstream (6.67%).

In 2021, Shah Deniz spent more than \$2 billion in operating expenditure and around \$680 million in capital expenditure, the majority of which was associated with the Shah Deniz 2 project.

In 2021, Shah Deniz celebrated the 25th anniversary since the signing of the Shah Deniz Production Sharing Agreement (PSA). The PSA was signed on 4 June 1996 between SOCAR and a consortium of foreign companies. It was ratified by the Milli Majlis and became effective on 17 October the same year. The project is the second after ACG largest foreign direct investment made in Azerbaijan and as such it has further strengthened the country's economy. The Shah Deniz 25th anniversary marked an important milestone in the new history of Azerbaijan's oil and gas industry.

### Production

During the year, 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 2021, the field produced around 23 billion standard cubic metres (bscm) of gas and more than 4 million tonnes (around 34 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 72 million standard cubic metres of gas per day or more than 26 bcma.

### **The Shah Deniz 2 project**

The East South flank started up safely in the second quarter of 2021 and later in the year the flank reached its full production rates. As a result, in July 2021, the daily production rates of the Shah Deniz Bravo platform reached the Shah Deniz Alpha rates for the first time.

On the West South flank, the pipelay barge Israfil Huseynov completed the subsea pipeline construction activities. The scope was delivered ahead of schedule with the barge achieving its best ever performance and highest productivity. This allowed to commence subsea pipelaying activities on the East North flank in 2021, originally planned for the second quarter of 2022.

Overall, all West South flank subsea installation activities are progressing on schedule for the production start-up planned for the middle of 2022.

In 2021, the Shah Deniz 2 project also started up production from the 5th well on the North flank. This marked the first in-fill well tie-in to a live subsea operating manifold in the Caspian. The entire activity was completed safely, without any interruption to the existing producing wells on the flank.

### **Drilling**

In 2021, the Shah Deniz Alpha platform rig was 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)

The SCP Co. shareholders are: bp (28.83%), TPAO (19.0%), PETRONAS (15.5%), AzSCP (10.0%), NICO (10.0%), LUKOIL (10.0%) and SGC Midstream (6.67%).

In 2021, the SCP spent around \$54 million in operating expenditure and more than \$12 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 2021, the daily average export throughput of the SCP was 48.5 million cubic metres of gas per day.

On 1 August 2021, the transition of the technical operatorship of the South Caucasus Pipeline Company (SCPC) from BP Exploration (Shah Deniz) Limited to SOCAR Midstream Operations LLC was finalized. The transition process which started in March 2020 was successfully completed in July 2021. Despite the challenges caused by COVID-19, bp and SOCAR worked in close collaboration to effectively implement all the aspects of the process.

The transfer of the technical operatorship was carried out in fulfilment of the obligations undertaken in the revised SCPC Pipeline Owners' Agreement, signed in December 2013 as part of the Final Investment Decision on the Shah Deniz Stage 2 and South Caucasus Pipeline Expansion (SCPX) projects.

## Exploration

On the Shafag-Asiman offshore block, the drilling of the first exploration well was completed in March 2021 to the base of the Fasila reservoir to a depth of 7,189 metres. The well encountered gas condensate resource in some of the penetrated reservoirs. Post-well analysis of the data received during the drilling is currently ongoing. This analysis is required in order to evaluate the hydrocarbon discovery and plan the next stage of exploration activities.

In the Shallow Water Absheron Peninsula (SWAP) area, the drilling of the first exploration well in the North Khali prospective area was completed in December 2021. The well was abandoned as per the original design and plan and the well results are currently being analyzed. The second exploration well was spudded on 11 December 2021 in the Bibi-

Heybat area. Drilling activities are currently ongoing at the depth of around 2,470 metres. The spud of the third exploration well is planned for this year.

## People

At the end of 2021, the number of bp's Georgia national employees was 231.

99% of bp Georgia's professional staff are nationals.

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 its 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 2021, bp and its co-venturers in the bp-operated joint ventures spent about GEL 1.3 million in Georgia on social investment projects.

bp (on behalf of its co-venturers in the joint ventures that it operates) will continue their social investment initiatives in support of local capacity-building and enterprise development throughout Georgia to assist the country in strengthening its economy.

Some examples of such projects in Georgia are:

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

bp (on behalf of its co-venturers in the joint ventures that it operates in Georgia) implemented Community Development Initiative phase 6 (CDI 6) in 98 communities along BTC/SCP pipeline, with budget 1,584,883 USD; Program started in August 2018 and ended in December 2021.

The program was focused on social impact in terms of population integration and engagement through combining their forces around the projects of community interest, as well as supporting viable business opportunities, establishing strong private sector through small start-up business, as well as agri-business development.

Program proposed to support communities to rehabilitate 44 rural infrastructures, support 210 small business development, create at least 280 jobs. 80 youth to benefit in Rustavi target schools via participating in competence building programs.

#### **In 4 Q, 2021 as well as in total program achieved the following**

- Program finalized its activities in December 2021
- Program worked with more than 100,000 people in the neighboring communities and provided direct benefits to 37,500 people.
- 12 rural infrastructure rehabilitation projects funded; total target communities implemented 56 infrastructure rehabilitation
- 25,000 Households benefited from all Infrastructure rehabilitation projects, additionally 8, 660 households, beyond CDI villages, benefited from the rehabilitated infrastructure
- Refurbishment of schools and kindergartens irrigation, arable land drainage, cattle watering took the largest share infrastructure projects. Irrigation sites deliver 1781 m<sup>3</sup> of water a day, enabling 1,990 farmer households irrigate 480 additional hectares.
- Three more small businesses granted via the grant competition, bringing together 213 small and medium size businesses granted
- 66% businesses are led by women
- 255,330.00 USD income generated during 2021, total income generated within the program timeline - 625,530.00 USD.
- Average monthly profit of businesses varies between 130 – 640 USD.
- 42 Businesses operators were coached in business management technics like SWOT analysis, cost accounting, customer feedback assessment, total more than 200 business operators received several types of trainings on business administration
- 30% of funded businesses reinvested into their businesses
- 125 entrepreneurs submitted annual tax declarations and paid total of 2,650 USD in taxes.
- 66 more farmers were trained agricultural technologies, total number of farmers who improved knowledge in agricultural technologies reached 214, they increased annual crops' harvest by an average 23%.
- Livestock mortality and livestock infection decreased by 80-82% in the farms, where the knowledge on relevant agricultural technologies was provided to the farmers
- 64 new farmers participated in climate smart agriculture and global warming awareness sessions. 224 farmers in total

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

bp (on behalf of the co-venturers in the joint ventures that bp operates in Georgia) implemented Small Business Development Project, phase 3 (SBDP3) in 121



communities along WREP pipeline with budget 610,620 USD; Program started in July, 2018 and ended in December 2021.

The program was focused on social and economic development of the pipeline communities through supporting establishment of the small businesses and scaling up the existed enterprises as well as strengthening entrepreneurs' skills via education in business administration. Program was aimed to support establishment of 244 small businesses, create of at least 290 jobs.

In 4 Q, 2021 as well as in total program achieved the following

- Program was finalized in December 2021
- Program worked with more than 126,000 people in the neighboring communities and provided direct benefits to 16,700 people.
- 276 start-up businesses funded in total
- 22 small businesses granted to scale up business activities
- Businesses supported creation of 290 jobs in total
- 544,700.00 USD income generated during 2021, total income generated within the program lifetime is 921,900.00 USD.
- Average monthly profit per business varies between 100 - 300 USD
- 20% of funded businesses reinvested into their businesses
- 200 coaching session provided to businesses: total number of coaching sessions more than 2,000
- 130 farmers in total participated in climate smart agriculture and global warming awareness sessions

In addition, in 2021, bp supported various social and sponsorship projects in Georgia. Some examples of these projects include:

- **bp Georgia was an official partner of the Georgian Paralympic committee** and Paralympic athletes for more than a decade. We have been together through three Paralympic games in London, Rio and Tokyo. Our cooperation and capacity building programs helped Paralympic committee to develop their organizational capability and Paralympic athletes to succeed on the international arena.
- **bp Georgia initiated and funded English language program for Georgian media** and over the last decade trained more than 600 journalists. In 2021 60 journalists studied within the program implemented by the British Council in Georgia.